

AD-A103 569 GENERAL ACCOUNTING OFFICE WASHINGTON DC ACCOUNTING A--ETC F/G 5/1
STATUS, PROGRESS, AND PROBLEMS IN FEDERAL AGENCY ACCOUNTING DUR--ETC(U)
JUN 81

UNCLASSIFIED GAO/AFMD-81-58

NL

1 1
2 2
3 3
4 4
5 5
6 6
7 7
8 8
9 9
0 0

END
DATE
0-81
DTIC

ADA103569

LEVEL 4

BY THE COMPTROLLER GENERAL

C P

Report To The Congress OF THE UNITED STATES

6

Status, Progress, And Problems In Federal Agency Accounting During Fiscal 1980.

Federal agency accounting systems are required to conform to the principles and standards prescribed by the Comptroller General.

At September 30, 1980, 193 of the 301 accounting systems in the Federal Government had been approved. However, the unapproved systems account for the expenditures of more than half the Federal budget. In addition, many systems approved over a decade ago need to be reapproved.

The growing demand for Government services accompanied by an emerging insistence on greater accountability focuses increased attention on accounting systems. GAO experience shows systems that meet the Comptroller General's requirements generally have fewer problems and permit more efficient and economical management.

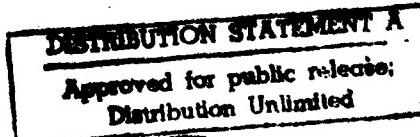
Congress should focus more attention on the importance of accounting systems by requiring the head of each agency requesting appropriations to report on the status of and progress made toward gaining GAO approval of its accounting systems.

GAO reviews of accounting systems in operation are also summarized in this report.



11 25 Jun 81

12 58



81 9 01 054
412 484 GAO JUN 25, 1981
Gm

Request for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760**

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-114873

(P)
DTIC SELECTED SEP 1 1981 H
S D

To the President of the Senate and the
Speaker of the House of Representatives

The Accounting and Auditing Act of 1950 was enacted by the Congress in response to the recognized need to integrate the budgeting, accounting, reporting, and other financial management functions within the Federal Government. The act clearly sets forth the congressional policy statement that executive agencies are required to (1) establish and maintain systems of accounting and internal controls in conformance with requirements to be prescribed by the Comptroller General and (2) maximize cooperation toward the common goal of comparability in accounting and reporting systems.

In 1952, the Comptroller General prescribed those principles and standards to be followed by agencies in establishing and maintaining their systems of accounting and internal controls.

These requirements have been revised periodically since then, but the basic concept has remained intact. Currently, our Office has a two-phased approach for evaluating accounting systems. We first approve the principles and standards prescribed by the agency as the basis for its accounting system. We then evaluate the design of the system to determine whether it conforms to the approved principles and standards.

At September 30, 1980, principles and standards had been approved for 297 of the 301 accounting systems subject to approval while only 193 of the system designs had been approved. The 108 systems still unapproved include some of the largest and most important systems, which account for the expenditures of more than half the Federal budget. A large number of the 193 approved systems were approved over a decade ago. Most--if not all--undoubtedly have undergone program and organizational changes as well as improvements due to changes in methodology and technology and should be submitted to our Office for reapproval.

While approval of accounting systems is legally required, we consider the approval of all systems a worthwhile goal for a number of other reasons. Most importantly, our experience has shown that approved systems generally are better systems. They produce more

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

useful information to help ensure that an organization is operating the way it should and to help management prevent fraud, waste, and abuse. Well designed and controlled accounting systems provide

- full disclosure of financial operations;
- adequate and reliable information needed by managers;
- effective control over income, expenditures, funds, property, and other assets; and
- assurance that transactions are executed according to management's authorization.

As we stated in last year's annual report, we believe that integrating cost reporting systems with performance measurement systems is an effective way to hold Federal managers accountable for the efficient use of people and other resources. The coupling of such information can be a major tool for appraising resource utilization, comparing operations, and analyzing personnel requirements. In short, comparing actual use of resources with what should have been done.

The problems that can occur when accounting systems are not well designed and controlled have received considerable attention in the past year. For example, our recently issued report entitled "Continuing and Widespread Weaknesses in Internal Controls Result in Losses Through Fraud, Waste, and Abuse" (FGMSD-80-65, Aug. 28, 1980) shows that internal control weaknesses Government-wide make billions of dollars vulnerable to misuse.

Every year Federal agencies spend millions of dollars to develop and design their accounting systems. Although we attempt to persuade the agencies to obtain our approval of system designs before they are implemented, in many cases the agencies install and begin operation of systems without our approval. We frequently find later that the system does not meet our requirements and must undergo substantial revision in order to be approved. In some cases, agencies are reluctant to make the changes, while in others the design documentation is changed but the system's actual operation is not.

We continue to believe that the Congress should ensure that agencies have adequate resources to improve and qualify their systems for our approval. We recommend that when an appropriation is requested, the head of the agency be required to report to the Congress on the status of and the progress made toward gaining approval of its accounting systems.

During our system approval process we have encountered many major accounting problems, such as inadequate property and cost accounting and ineffective fund control. A major related problem

is that some agencies do not adequately document their system designs in a manner that would assist them in operating and maintaining the system and permit our evaluation and approval.

A number of agencies have made commendable progress in the past several years in documenting their system designs, while others have failed in their efforts. Perhaps the primary reason for the successful efforts has been the support given to the design and documentation project by the agency's top management. Without such support, the projects receive low priority. With such support, projects are given the required qualified personnel. This, in turn, has produced better system designs which translate into better systems. To increase awareness of the importance of good accounting systems and of obtaining our approval, a number of agencies have made the goal of approval and progress toward obtaining it a part of Senior Executive Service contracts and a part of the basis for awarding merit pay.

In addition to requiring approval of the system designs, the 1950 act requires our Office to review the operation of the systems from time to time. The Congress made this a part of its mandate because accounting system approval becomes meaningful only when an agency implements and operates its system in accordance with the approved design. Our reviews of accounting systems in operation determine whether they are

- operating in accordance with the approved design and
- providing reliable and meaningful information to agency management and to the Congress.

These reviews have shown there are many accounting systems operating improperly because of poor system design, failure to implement the systems in accordance with the design, and inadequate internal controls. As a result, billions of dollars are not being adequately managed and controlled. The results of such reviews as reported during fiscal 1980 are discussed in chapter 4 of this report.

We are sending copies of this report to the Director, Office of Management and Budget and to the heads of departments and agencies.

Accession For	
FTIS GRA&I	
FTIC TAB	
Unannounced	
Classification	
<i>Open file</i>	
By _____	
Distribution/	
Availability Codes	
Avail and/or	
Dist	Special
<i>R</i>	

Shilton J. Sorolan
Acting Comptroller General
of the United States

Contents

	<u>Page</u>	
CHAPTER		
1	INTRODUCTION	1
	Comptroller General sets principles and standards	1
	Objectives, scope, and methodology	1
2	STATUS OF DEPARTMENT AND AGENCY ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1980	3
	Comptroller General requirements	3
	Status of approvals	3
	Major problems identified during our accounting system efforts	5
	Conclusions	6
	Recommendation to the Congress	7
3	AGENCY PROGRESS AND PROBLEMS	8
	Approvals during fiscal 1980	8
	Current status and existing problems in obtaining approvals	9
	Department of Agriculture	9
	Department of Commerce	10
	Department of Defense	11
	Department of the Army	11
	Department of the Navy (including Marine Corps)	12
	Department of the Air Force	13
	Department of Defense agencies	14
	Department of Education	14
	Department of Energy	14
	Department of Health and Human Services	15
	Department of Housing and Urban Development	16
	Department of the Interior	16
	Department of Justice	17
	Department of State	18
	Department of Transportation	18
	Department of the Treasury	19
	Agency for International Development	20
	Arms Control and Disarmament Agency and Federal Emergency Management Agency	20
	General Services Administration	20
	National Labor Relations Board	21
	Veterans Administration	21
	District of Columbia government	21

	<u>Page</u>
4	
REVIEWS OF ACCOUNTING SYSTEMS AND RELATED ASPECTS OF FINANCIAL MANAGEMENT	23
Agency pricing, billing, and collection systems--are they adequate?	24
Foreign military sales	24
Federal managers should emphasize accounting for loans and other receivables	27
Agency accounting systems--do they provide for sound cash management?	30
HEW must improve control over millions in cash advances	30
Better cash management can reduce the cost of the National Direct Student Loan Program	30
Investment procedures were changed to eliminate lost interest income	31
Internal controls over receipts and disbursements--are they effective?	32
Continuing and widespread weaknesses in internal controls allow losses through fraud, waste, and abuse	32
Major deficiencies exist in Army's Washington, D.C., finance and accounting operation	33
Improvements were recommended for the Air Force's cost accounting system	33
Weaknesses in accounting for Government-furnished materials at defense contractors' plants led to excesses	34
Fiscal 1979 presidential and vice-presidential certified expenses were examined	34
Agency payroll systems--do they ensure that employees are paid amounts due promptly and accurately?	35
The Marine Corps military pay system has too many errors and inefficiencies	35
Major deficiencies exist in Army's Washington, D.C., payroll operations	36
The Navy's computerized pay system is unreliable and inefficient	36
Improvements were needed in Agriculture's payroll operations	36
Complaints were received about HUD's payroll system	37
Financial reporting systems--are they adequate?	37

	<u>Page</u>
EPA has acted to improve computer-produced reports	37
Navy is reviewing the usefulness of financial reports produced by its resource management system	38
Air Force is working toward using its civil engineer cost accounting reports more effectively	38
Naval Supply Systems Command is improving its allotment accounting system reports	39
Federal agency gift funds need criteria and more disclosure to the Congress	39
Existing procedures limit congressional knowledge of Library of Congress' revolving funds	40
Defense accounting has too many errors	41
Federal Highway Administration is redesigning its Accounts System to eliminate inefficient use of computers and people	41
Anti-Deficiency Act was violated by the Navajo and Hopi Indian Relocation Commission	42
Errors in health benefit enrollment data push up health insurance costs	42
Improvements are needed in accounting for foreign student participation in Defense training programs	42

APPENDIX

I	Past reports on status, progress, and problems in Federal agency accounting	44
II	Status of approvals of accounting systems at September 30, 1980	45

ABBREVIATIONS

ASO	Aviation Supply Office
EPA	Environmental Protection Agency
ERDA	Energy Research and Development Agency
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
HEW	Health, Education, and Welfare
HUD	Housing and Urban Development
OPM	Office of Personnel Management

CHAPTER 1

INTRODUCTION

This report, covering fiscal 1980, is the 11th in our series of reports on the status, progress, and problems identified in the development, documentation, approval, and operation of Federal agency accounting systems. (See app. I.)

The demand for Government services accompanied by an emerging insistence on greater Government accountability is putting more pressure on Government managers to do a better job. Accordingly, increased attention is being focused on accounting systems and financial management improvements by all levels of management.

Accounting systems must provide the financial information needed by managers in making decisions that affect operations and use of resources. The problems that can occur when good accounting systems are not in place have received considerable attention in the last few years. Many of the instances of fraud, waste, and abuse found in Government can be attributed to poor accounting systems and internal controls.

COMPTROLLER GENERAL SETS PRINCIPLES AND STANDARDS

With the exception of Government corporations and certain quasi-governmental entities, all executive departments and agencies are required by 31 U.S.C. 66a to adopt accounting systems that conform to the principles and standards prescribed by the Comptroller General. Departments and agencies are required to obtain the Comptroller General's approval of their accounting system designs and to demonstrate that the systems conform to these approved designs.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report covers fiscal 1980 and, like its 10 predecessors, responds to the recommendation of the House Committee on Government Operations (H.R. 1159, 90th Cong., 2d Sess. 3 (1968)), that

"the General Accounting Office should make an annual report to the Congress summarizing findings relating to inadequate accounting systems and the progress of agencies in developing systems for submission and approval by the Comptroller General."

The information in chapters 2 and 3, an update of data presented in last year's report, was obtained through our regular contacts with agency financial management personnel during our cooperative accounting systems work and our efforts to evaluate and approve accounting system designs. Chapter 2 summarizes the status of accounting systems approval at September 30, 1980, and discusses several Government-wide problems experienced by the

agencies in working toward gaining approval of their accounting systems. (See app. II for the status of system approvals by agency.) Chapter 3 presents our observations on agency progress and some of the problems experienced by the Department of Defense, 17 civilian departments and agencies, and the District of Columbia government during our work in fiscal 1980.

Chapter 4 summarizes our reviews of accounting systems in operation as reported in separate audit reports during fiscal 1980 pursuant to 31 U.S.C. 66(c).

Since the agencies have officially commented on matters summarized in Chapter 4 of this report and are aware of their progress in obtaining system approval, we did not send this report to them for comment.

CHAPTER 2

STATUS OF DEPARTMENT AND AGENCY

ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1980

The head of each executive agency is responsible for establishing and maintaining systems of accounting and internal controls that conform to the principles, standards, and related requirements prescribed by the Comptroller General.

COMPTROLLER GENERAL REQUIREMENTS

Approval of an accounting system is an agreement between the submitting agency and the Comptroller General that the system conforms to our prescribed principles and standards. We have established a two-phased procedure for evaluating agency accounting systems submitted to us for approval. We first examine the accounting principles and standards prescribed by an agency as the basis for its accounting system. After we approve the principles and standards, we examine the design--those procedures and practices that will be followed to perform the agency's accounting--to determine whether it conforms to the approved principles and standards.

In addition, we review the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs.

STATUS OF APPROVALS

The table on page 4 summarizes the status of accounting systems subject to approval at September 30, 1980.

On this date, 297 of the 301 systems identified by the agencies as being subject to our approval were covered by approved accounting principles and standards. While this is encouraging, the situation is somewhat different with respect to our approval of system designs. At September 30, 1980, only 193 of the 301 system designs had been approved by the Comptroller General. The 108 unapproved systems include some of the largest and most important ones and account for the expenditures of more than half the Federal budget. In addition, a large number of the 193 approved systems were approved over a decade ago. Most--if not all--of these systems have undoubtedly undergone revisions and should be submitted for our reapproval.

We continue to believe the Congress should ensure that agencies have adequate resources to improve and qualify their systems for approval. Every year millions of dollars are spent to improve agency accounting systems. We try to persuade the agencies to get our approval of their designs and redesigns before they implement them. In many cases, however, the agency installs and begins

STATUS OF ACCOUNTING SYSTEMS

AT SEPTEMBER 30, 1980

	Principles and standards		Subject to approval	System designs		
	Approved	Unapproved		Approved	Unapproved but operating	Under development
Civilian departments and agencies:						
Agriculture	6	-	6	3	1	2
Commerce	8	-	8	7	1	-
Education	2	1	3	2	1	-
Energy	7	-	7	4	3	-
Health and Human Services	29	-	29	6	23	-
Housing and Urban Development	2	-	2	1	1	-
Interior	15	-	15	11	-	4
Justice	11	-	11	10	-	1
Labor	2	-	2	2	-	-
State	8	-	8	4	2	2
Transportation	9	-	9	7	1	1
Treasury	20	-	20	18	1	1
General Services Administration	9	-	9	3	3	3
Veterans Adminis- tration	8	-	8	7	1	-
Other agencies	<u>55</u>	<u>3</u>	<u>58</u>	<u>35</u>	<u>13</u>	<u>10</u>
Total civil	191	4	195	120	51	24
Percent	98	2	100	62	26	12
Department of Defense:						
Air Force	29	-	29	25	3	1
Army	14	-	14	9	3	2
Navy (including Marine Corps)	45	-	45	30	6	9
Defense agencies	<u>17</u>	<u>-</u>	<u>17</u>	<u>9</u>	<u>3</u>	<u>5</u>
Total Defense	105	-	105	73	15	17
Percent	100	-	100	70	14	16
District of Columbia government	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total	<u>297</u>	<u>4</u>	<u>301</u>	<u>193</u>	<u>66</u>	<u>42</u>
Percent	99	1	100	64	22	14

operation of the system without our approval. Frequently, we find later that the system lacks important features required by the Comptroller General and therefore is not approvable.

Our experience has shown that agencies that devote the time and effort required to design, document, and implement a good, approvable system generally have fewer problems and are able to manage their operation more efficiently and economically. One of the areas we examine before approving a system is that of internal controls. While the design of an accounting system in itself cannot prevent fraud, fraud is much more likely to occur in a system where internal controls are lacking or inadequate.

We continue to believe that holding Federal management accountable for the efficient use of people and other resources will be difficult until work measurement and cost accounting systems are developed and used as a tool to set performance goals and to measure how well such resources are used.

When a performance measurement system is integrated with an accurate time and cost reporting system, efficiency of operations is measurable. In instances where productivity is lagging, cost accounting systems can provide information on which to base changes that could improve productivity. Unit cost information can be a major tool for appraising resource utilization, comparing operations, and analyzing personnel requirements. It can be used to compare actual use of resources with planned use of resources. Any variances can be interpreted as a measure of success or failure.

MAJOR PROBLEMS IDENTIFIED DURING OUR ACCOUNTING SYSTEM EFFORTS

During our approval efforts we have encountered many major accounting problems, such as inadequate property and cost accounting, ineffective fund control, and improper accrual accounting, which prevent approval of systems. A major related problem is that some agencies do not adequately document their system designs in a manner that would assist them in operating and maintaining their systems and permit our orderly evaluation.

Approving systems is a cooperative effort. As a step in this effort, the Comptroller General has met with heads of departments and agencies to urge them to get their accounting systems approved. In addition, we have staff members available to consult with agencies continuously during their development and documentation efforts. Cooperative assistance includes identifying problem areas and working with agency staffs toward resolution, providing technical advice, and discussing specific areas that need improvement. However, it has been difficult during the development and documentation process to convince agencies to seek our assistance and to apply the qualified resources necessary to obtain our approval. Consequently, many system designs put into operation and submitted

for our evaluation do not meet our requirements. Major redesign effort, delaying approval, is often necessary. In many cases, partly because of the cost involved, agencies are reluctant to make the changes. We also believe some agencies make changes in the documentation to obtain our approval but then often do not implement the changes in the actual operation of the system.

One of the key ingredients in successfully designing, documenting, and obtaining our approval is a set of well-defined procedures and establishment of an organization to oversee the agency's accounting system efforts. Good management practices dictate that when an activity within an agency initiates development of an accounting system, it should coordinate its efforts within the agency and with our Office. Such coordination would ensure that the system is appropriately developed and documented. The coordinating organization should also examine the system documentation before submitting it to us. Careful evaluation would show whether a satisfactory documentation package is being produced.

A number of agencies have improved their documentation efforts by establishing an oversight organization to monitor the development and documentation effort. We have seen a marked improvement in their development efforts.

On the other hand, there have been failures. Several years ago, the Department of Interior established a group to assist departmental personnel in developing and documenting system designs and to provide leadership in expediting design submissions for our approval. However, we have seen no improvement in Interior's system design efforts.

Why have some efforts failed while others have been successful? Perhaps the primary reason has been the support given to the effort by the agency's top management. Without such support, system design projects receive low priority. With such support, design projects are given the required qualified personnel. This, in turn, has produced better systems and helped accountants convince management that (1) good accounting systems mean good information and (2) good information means better decisionmaking.

One of the management techniques used by a number of agencies to support the development and documentation effort is the inclusion of the goal of approval and progress toward obtaining it as a part of Senior Executive Service contracts and a part of the basis for awarding merit pay.

CONCLUSIONS

The demand for Government services accompanied by an emerging insistence on greater accountability focuses increased attention on internal controls and accounting systems. Federal agencies cannot

attain this level of accountability unless they can be assured that their internal controls and accounting systems are properly conceived and designed. GAO approval gives agencies that assurance.

RECOMMENDATION TO THE CONGRESS

In order to keep the Congress informed about the level of accountability being achieved by Federal agencies, we recommend that when an appropriation is requested the Congress require the head of each agency to report on the status of and progress made toward gaining GAO approval of its accounting systems.

CHAPTER 3
AGENCY PROGRESS AND PROBLEMS

APPROVALS DURING FISCAL 1980

During fiscal 1980, five principles and standards statements and nine system designs were approved for the following systems.

	<u>Approval dates</u>
<u>Principles and standards</u>	<u>System design</u>
<u>Civilian departments</u>	
Department of Agriculture: Agriculture Stabilization and Conservation Service Program System	Sept. 30, 1980
Department of Energy: Departmental Accounting System	Apr. 18, 1980
Department of Health and Human Services: Social Security Administration Administrative Accounting	Sept. 30, 1980
Department of Interior: Denver Pay/Personnel System	Sept. 30, 1980
Department of the Treasury: Treasury Payroll/Personnel Information System	Sept. 30, 1980
<u>Independent agencies</u>	
Executive Office of the President	Sept. 30, 1980
Federal Trade Commission	<u>a/Sept. 4, 1980</u>
General Services Administration	Sept. 3, 1980
National Labor Relations Board	<u>a/Sept. 30, 1980</u>

a/This was a reapproval.

	<u>Approval dates</u>
<u>Principles and standards</u>	<u>System design</u>
<u>Military departments</u>	
Department of the Air Force: Air Force Retiree/Annuitant Pay System	July 21, 1980
Department of the Army: Transportation Disbursing and Reporting	Feb. 20, 1980
Defense Security Assistance Agency: Foreign Military Credit Sales	July 15, 1980
Defense Logistics Agency: Base Operating Supply System	July 14, 1980
Defense Mapping Agency	Sept. 30, 1980

In addition, we approved the requirements for the Department of Justice working capital fund. Those requirements are an enhancement to the Legal Activities and General Administration accounting system we approved in February 1973.

The remainder of this chapter discusses the problems certain agencies are having in qualifying their systems for our approval.

**CURRENT STATUS AND EXISTING PROBLEMS
IN OBTAINING APPROVALS**

Department of Agriculture

Accounting systems subject to approval	6
Accounting system designs approved	3
Unapproved systems	3

The Department of Agriculture has a major program underway to centralize its accounting activities. Centralization has reduced the number of accounting systems subject to approval from 18 to 6. Of the original 18 systems, 17 statements of principles and standards and 11 system designs had been approved.

The current inventory of systems includes (1) a central accounting system for all departmental administrative funds as well as certain program funds, (2) a centralized payroll system, and (3) four separate accounting systems for major programs. The four program systems are used to process and record transactions involving

- Farmers Home Administration loan and grant programs,
- Rural Electrification Administration loan programs,
- Agricultural Stabilization and Conservation Service grant and other programs, and
- Food and Nutrition Service programs.

We approved the accounting system design for the Agricultural Stabilization and Conservation Service program system in fiscal 1980, for the Rural Electrification Administration program system in fiscal 1978, and for the centralized payroll system in fiscal 1968. Accounting principles and standards have been approved for all of the Department's systems.

The Food and Nutrition Service has engaged a contractor to assist in the development of its system design which it expects to submit for informal review in fiscal 1982. The Service is also reviewing its accounting principles and standards and, if any changes are needed, will submit the revision for reapproval in fiscal 1981.

Also in fiscal 1981, the Farmers Home Administration expects to begin informal submission of component segments of its program accounting system design. The agency anticipates completing this effort and requesting approval in fiscal 1983.

Most segments of the central accounting system were submitted for review in fiscal 1980. The Department expects to complete submission of this system and request approval before the end of fiscal 1981. For the most part, efforts on the central system have been concentrated on centralizing and automating accounting activities previously performed by the various agencies and on redesign of the central payroll system. We expect this type of concentration to continue during most of fiscal 1981. In our opinion, the Department and its agencies will have to exert extra effort to meet their target dates.

Department of Commerce

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

A new accounting system for the National Technical Information Service has been under development since March 1975. The system design, informally submitted for evaluation during fiscal 1976, conformed to our approval requirements. However, as of September 1980, Commerce had not requested our formal approval because the Information Service was (1) modifying the automated portion of the system design to improve computer efficiency and (2) seeking Office of Management and Budget permission to obtain legislation

permitting the Information Service to establish a separate working capital fund and allowing for the retention of profits generated from the fund's activities. Commerce has advised us that Office of Management and Budget permission is expected for the establishment of the working capital fund and profit retention and that complete documentation of the design changes will be furnished for our review and evaluation in fiscal 1981. Predicated on our concurrence of the design changes, Commerce plans to request design approval by September 1981.

Department of Defense

The Department of Defense has made good progress in obtaining our approval of its accounting systems. Last year we reported that the problems delaying the approval of the major Defense systems had been resolved but the Defense components had not fully accepted the policy directives issued by the Secretary of Defense. During this fiscal year, progress has been made by the military toward resolution of the problem which we hope will lead to approval of several systems during the next 2 fiscal years. We also are continuing our efforts to have a number of the largest and most important departmental systems approved sooner than presently projected.

Department of the Army

Accounting systems subject to approval	14
Accounting system designs approved	9
Unapproved systems	5

The Department of the Army is progressing well toward qualifying all of its accounting systems for approval. It is a substantial and dedicated effort.

In fiscal 1980, we approved the design of the Army's Transportation Disbursing and Reporting System.

The Reserve Components Pay System was evaluated and determined to be unapprovable. It is no longer listed as an unapproved system, however, because Army plans now are to include the function as a system enhancement to the previously approved Joint Uniform Military Pay System. This change will require the submission of the joint system for reapproval when the Army completes its redesign.

Of the five unapproved systems, we hope to approve three in fiscal 1981.

The other two systems are new ones still being developed. The Standard Finance System redesign is scheduled for final approval in March 1983 and the Program and Budget Accounting System approval is planned for December 1983. These are major projects to which the Army is applying substantial design resources. We are cooperating

with the Army by evaluating the design descriptions at various stages of development, and approving them when they adequately demonstrate conformance with the prescribed accounting principles and standards. For example, two of the four segments of the Program and Budget Accounting System have been approved as follows:

Procurement Funds Control System, Phase I August 1978

Department of the Navy (including Marine Corps)

Accounting systems subject to approval	45
Accounting system designs approved	30
Unapproved systems	15

No Navy or Marine Corps accounting system designs were approved during fiscal 1980. Two Navy accounting systems, which we had anticipated approving, are being held in abeyance because of the Navy's problems in complying with our requirements for property accounting.

In addition to the property accounting problem, the Military Sealift Command has not yet replied fully to our requests of November 1979 for additional data and documentation on its industrial fund disbursing procedures. Even though command officials have known about this deficiency since 1979, no effort has been made to correct the situation, and we are unable to approve this system until our supporting documentation requirements are met.

The Navy has been working on several standard accounting system designs during the past year. Because of present Navy management philosophy these systems are being developed by various Navy commands, rather than by the Navy Comptroller who seems to have little or no control over the development of these systems. We believe the effectiveness of the Navy's efforts would be significantly improved if control over all Navy system designs were centralized in the Comptroller's office.

We have been asked to provide ongoing assistance for only one of these system designs--the Standard Automated Financial System for research, development, test, and evaluation facilities. The personnel in the Navy Supply System Command who are charged with designing and implementing this system requested our participation during 1979.

Despite our repeated inquiries as to the present status of each of the other Navy system designs, we have been provided no information nor have we been requested to provide assistance.

The Marine Corps is redesigning certain payroll systems dealing with active and retired pay. For this reason, we have discontinued work on their retired pay system, which we understand is to

be replaced by the new system. We have just begun providing assistance on the design of this new system: the Real Time Finance and Manpower Management Information System.

Department of the Air Force

Accounting systems subject to approval	29
Accounting system designs approved	25
Unapproved systems	4

The Air Force inventory of accounting system designs subject to GAO approval shows 29 designs divided into four major categories: general funds, stock funds, industrial funds, and pay systems.

The eight stock fund and seven pay system designs have all been approved and no foreseeable major effort in redesign is anticipated by Air Force in this area.

Of the six industrial fund systems, four have been approved. The Real Property Maintenance Industrial Fund design is under review and is expected to be approved in fiscal 1981. The review is in the final stages and no major problems have been encountered.

However, the major industrial fund system, Depot Maintenance, is not listed for submission to us for review. The footnote to the Air Force inventory states:

"The Air Force is currently studying the relative merits of actual hour versus standard hour cost allocation techniques for maintenance jobs. The study is to be completed by October 31, 1980. At that time a system which incorporates the appropriate labor hour technique and other requirements of DOD 7220.29-H will be developed and implemented. A plan to submit the system design for Comptroller General approval will also be developed at that time."

Six of the eight general fund system designs have been approved. The Defense Integrated Financial System for Foreign Military Sales design is scheduled to be submitted for our review in fiscal 1981. A part of the major Air Force system, the General Accounting and Finance System, was approved when the "fund control aspects" (appropriation and cash control) were approved in September 1979. However, the proprietary (asset control and the use of goods and services) accounting aspects of the design were found to be deficient in the areas of property, depreciation, and cost accounting. Further, the design was submitted in 1973 and needs to be updated, especially in the area of ADP application. The Air Force will resubmit the needed documentation incrementally throughout fiscal 1981 for our review. Approval of the entire system probably will not take place until fiscal 1982.

Department of Defense agencies

Accounting systems subject to approval	17
Accounting system designs approved	9
Unapproved systems	8

The Defense agencies made significant strides during fiscal 1980 to obtain approval of their accounting system designs. Three of the five systems we anticipated approving in fiscal 1980 were approved in early fiscal 1981 and one was in the final stages of processing for approval. Also, we expect that two other systems will be informally submitted in fiscal 1981 for our evaluation and two more are being actively developed and documented.

The three designs approved this year were the Defense Security Assistance Agency's Foreign Military Credit Sales system, the Defense Logistics Agency's Base Operating Supply system, and the Defense Mapping Agency system. The design in the final stage of processing was for the Defense Communications Agency's Communications Service Industrial Fund system.

Department of Education

The Department of Education came into existence during the latter part of fiscal 1980. Because of its need to do a major "overhaul" of accounting operations that were transferred to the Department from the former Office of Education and to accommodate accounting for many other programs transferred from other agencies, the Department of Education is not yet in a position to establish a reliable target date for obtaining our approval of its accounting system.

It is the Department's intention to have one overall system to account for all its operations. Some operations transferred to the new Department, such as those of the National Institute of Education, had approved accounting systems. We will carry these as separate and approved systems until the departmental accounting system is approved.

We have advised the Department that it should begin soon to develop its accounting concepts through preparation of a statement of accounting principles and standards. The statement may be approved during fiscal 1981.

Department of Energy

Accounting systems subject to approval	7
Accounting system designs approved	4
Unapproved systems	3

Except for accounting being done by its power marketing administrations, the former Energy Research and Development Administration's (ERDA's) accounting system is being used throughout the

Department of Energy. Our March 1963 approval of the former Atomic Energy Commission's accounting system design was transferred to ERDA. However, because of the significant time lapse, this approval was not transferred to the Department of Energy.

The Department has an overall accounting system and a payroll system, plus four approved and one unapproved accounting systems that are used by its power marketing administrations.

In April 1980, we approved a statement of accounting principles and standards for all accounting to be done by the Department. Submission of the accounting system design for approval is planned for fiscal 1983. This design will eventually replace the approved designs for the power marketing administrations.

The Department plans to adopt a new payroll system patterned after one used by the Department of Interior. It plans to submit the design of the payroll system for approval in fiscal 1982.

Department of Health and Human Services

Accounting systems subject to approval	29
Accounting system designs approved	6
Unapproved systems	23

The Social Security Administration succeeded in having its administrative accounting system approved in fiscal 1980. This is a major accomplishment which represents several years of effort on the part of the Department, Social Security, and GAO. The remaining program benefit payment systems are scheduled for approval in fiscal 1981. We hope that the target date for those systems can also be met.

We have reported for the past 2 fiscal years that resolution of a cost accounting issue has delayed approval of many Public Health Service systems. During the past fiscal year we reached an agreement with the Department that will resolve the issue and, we hope, permit approval of several Public Health Service systems during fiscal 1981. The agreement provides that the full cost of operations will be provided for specified activities, including those of its hospitals, clinics, and revolving fund type activities.

The Department has developed procedures to be followed by its components in accounting for and controlling debts owed by the public. We evaluated these procedures and found them acceptable.

We reported last year that the Department had initiated the development of a new financial accounting system to be used departmentwide. Approval was scheduled for fiscal 1981 but some slippage has occurred. The plan now is to obtain our approval of the principles and standards statement in fiscal 1981 and of the system design in fiscal 1982.

The total number of systems in the Department subject to our approval has been reduced. Two systems--those used by the Office of Education and the National Institute of Education--were removed because they were transferred to the Department of Education.

We are heartened that the Department's efforts to secure our approval are progressing. If the current momentum is maintained, several additional systems may be approved during the next fiscal year.

Department of Housing and Urban Development

Accounting systems subject to approval	2
Accounting system designs approved	1
Unapproved systems	1

The Department's general accounting system was originally approved as one system in April 1970. Since then, the Department has identified five areas of accounting that are or will be designed and implemented to replace the approved general accounting system: grants/loans, general accounting for administration, payroll, assisted housing, and mortgage insurance. However, the total number of subsystems subject to our approval has not been identified.

During the past year, the Department has made little progress in documenting the design of its payroll system entitled "Terminally Operated Payroll and Personnel System." Progress has been hampered because the Department has not devoted adequate staff to prepare the documentation and the experienced staff originally assigned to this task have been reassigned to other areas of responsibility. We reported this lack of progress to the Secretary of the Department and were provided with additional documentation. Later, we were advised that the documentation still outstanding would be furnished for our review and evaluation. This would include documentation to (1) demonstrate that the automated processes conform to the payroll system requirements, (2) depict the controls over document handling from the various organizations, and (3) provide controls for processing payroll transactions and payments made to employees on an exception basis.

If we can resolve these problem areas and are assured that the Department has moved to correct the audit deficiencies reported by our Office and the Inspector General, we hope to approve the payroll system during fiscal 1981.

Department of the Interior

Accounting systems subject to approval	15
Accounting system designs approved	11
Unapproved systems	4

During fiscal 1980, Interior secured approval of the Denver Pay/Personnel System, an automated, integrated system administered by the Water and Power Resources Service. When fully implemented, this system will replace the Denver Inter-Bureau Payroll System.

Geological Survey's Conservation Division is currently revising its collection system for royalties due the Government from industry operations on Federal and Indian mineral leases. The system, known as the Royalty Management System, appears on our inventory for the first time and is planned to be approved during fiscal 1982.

Interior's progress in getting its accounting systems approved has been slow for the past several years. We believe this has been due to lack of (1) adequate staffing, (2) leadership, and (3) concern. During 1979, the three remaining unapproved systems--those of the National Park Service, the U.S. Fish and Wildlife Service, and the Heritage Conservation and Recreation Service--were given priority and their progress was monitored via a special tracking system. However, at the end of fiscal 1980 none of the three had been approved.

While some agencies of Interior have made a sincere effort to obtain approval of their accounting systems, unless additional staffing is assigned and special efforts are made to develop the required documentation, we believe the goal of having all systems approved will not be attained by the end of fiscal 1982.

Department of Justice

Accounting systems subject to approval	11
Accounting system designs approved	10
Unapproved systems	1

The requirements for the Department of Justice's working capital fund were approved in September 1980. These requirements were considered as an enhancement to the Legal Activities and General Administration accounting system design, which was approved in February 1973.

The only system in the Department remaining unapproved is the Bureau of Prisons' Commissary accounting system. We reported last year that the Commissary system was scheduled for submission in July 1983. The Bureau has subsequently accelerated the submission schedule.

Within the Department a sizeable effort has been mounted to improve and enhance several approved systems. For example, the Legal Activities and General Administration system is being enhanced in the property accounting area with a new automated property accounting subsystem. The Department expects to complete this effort during fiscal 1981.

The Drug Enforcement Administration is revising its approved administrative accounting system and has awarded a contract for the preparation of documentation for the revised system. The Department plans to submit the revision for approval during fiscal 1981.

The Immigration and Naturalization Service has a significant management review effort underway by the President's Management Improvement Council. As part of this overall review the Council will coordinate the preparation of the design documentation. This documentation is scheduled to be submitted for our review and approval during the latter months of fiscal 1981.

Department of State

Accounting systems subject to approval	8
Accounting system designs approved	4
Unapproved systems	4

Although progress in obtaining our approval of the departmental accounting system has been slow until now, the Department of State progressed significantly toward obtaining our approval during this fiscal year. Specifically, State contracted with two firms to prepare a conceptual framework on which to base the system design. The product of this initial phase will be evaluated and used by State to select a contractor to fully design and document the system. Approval is anticipated during the latter part of fiscal 1982.

While the effort on the departmental system is commendable, progress on State's other systems has been slow. In last year's report we noted that a contractor had been selected to develop the system design for the Foreign Service Institute system with approval expected during fiscal 1980. While some progress has been made, we will not be able to approve the design during fiscal 1981 unless unusual efforts are made.

Progress on the design and documentation of the Eastern Hemisphere payroll system has also been slow and will not permit us to approve the system design during fiscal 1981 as expected.

With regard to the International Boundary and Water Commission, U.S. and Mexico payroll system, approved in 1953, we have not been asked to provide assistance to the agency in documenting the design for our reapproval, despite our repeated offers. Also, we have not been asked to assist in documenting the general accounting system, which we have never approved.

Department of Transportation

Accounting systems subject to approval	9
Accounting system designs approved	7
Unapproved systems	2

During fiscal 1980, the Department of Transportation implemented an unapproved departmentwide payroll system, thereby increasing the number of unapproved systems. Prior to 1980, the accounting system for the Federal Aviation Administration was Transportation's only unapproved system.

The payroll system was developed and implemented by the Federal Aviation Administration over several months beginning in December 1978. Contrary to our preferred procedures, the agency did not obtain our approval of the payroll system design before it was implemented. Transportation officials have informed us that the system design will be submitted for our evaluation in fiscal 1981.

Federal Aviation Administration officials said they have given the design of the new accounting system the top administrative priority within the agency. They informed us that they are committed to having the design completed by January 1982.

Department of the Treasury

Accounting systems subject to approval	20
Accounting system designs approved	18
Unapproved systems	2

The Office of the Secretary segment of the departmentwide Payroll Personnel Information System was approved in September 1980. This system produces the payroll for the Treasury with the exception of the Internal Revenue Service.

The Internal Revenue Service is continuing to operate its own payroll system. The target date for informal submission of the system documentation design for our review is early 1982.

The design for the Bureau of the Mint's Bullion and Monetary Accounting System is currently being evaluated and is expected to be approved early in 1981.

The Customs Service implemented a new automated administrative accounting system on October 1, 1980. The documentation for this change to the system approved in November 1972 is expected in fiscal 1981.

The Bureau of Engraving and Printing has, since October 1, 1978, been authorized under Public Law 95-81 to finance the acquisition of new equipment and to increase its working capital through surcharges to customer agencies.

The Bureau of Engraving and Printing also plans to replace its present administrative accounting system (approved July 1952) with an automated Financial Management Information System. The detailed design and implementation are expected to be completed about December 1982.

Agency for International Development

Accounting systems subject to approval	4
Accounting system designs approved	1
Unapproved systems	3

This agency, which is organizationally a part of and performs the accounting for the International Development Cooperation Agency, has made significant progress in its efforts to design a departmental accounting system. This is a very significant and dedicated effort with approval expected the latter part of fiscal 1982.

During this fiscal year, the number of agency systems subject to our approval increased from two to four with the addition of the Foreign National Payroll and Mission Accounting systems expected to be approved in fiscal 1982 and 1984, respectively.

Arms Control and Disarmament Agency and
Federal Emergency Management Agency

Although we have been available for cooperative assistance, the Arms Control and Disarmament Agency and the Federal Emergency Management Agency (FEMA) have not sought our assistance, and have made only limited progress in developing and documenting an accounting system to meet our requirements. Furthermore, FEMA has not taken advantage of our assistance in preparing its principles and standards statement.

General Services Administration

Accounting systems subject to approval	9
Accounting system designs approved	3
Unapproved systems	6

All accounting in the General Services Administration was originally approved as one system in June 1965. Later, the agency redesigned and obtained our approval of its payroll system in April 1973, and of the accounting system for the Federal Buildings Fund in September 1977.

During fiscal 1980, the General Services Administration planned to redesign and obtain reapproval of its Appropriation Accounting system and of the accounting system design for the Automated Data Processing Revolving Fund. These approval dates have slipped to fiscal 1983. It also planned to obtain our approval of its accounting principles and standards statement.

The statement of principles and standards was approved by the Comptroller General in September 1980. The statement covers all the agency's accounting operations and will serve as the nucleus for the design of the accounting systems.

National Labor Relations Board

The Board's revised accounting principles and standards statement was approved in September 1980. However, the Board's accounting system design has not been submitted and remains unapproved even though it was originally targeted for submission in 1972.

Prior to fiscal 1980, the Board planned to design, develop, and implement an entirely new automated accounting and payroll system. In 1980, this plan was superseded when the Board decided to examine the feasibility of adopting another agency's accounting and payroll systems.

Veterans Administration

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

We reported last year that the target date for approval of the Veterans Administration's one unapproved system--the compensation, pension, and education benefits system--was September 1983. Although we were hopeful that the agency would make an effort during fiscal 1981 to accelerate its scheduled submission, that date has not been changed.

The Veterans Administration has consistently slipped the target date for approval of this system. We believe that, unless greater progress is made during the next fiscal year than during the last, the target date of September 1983 is unlikely to be met.

The Office of Management and Budget, as well as our staff, has been unsuccessful in its attempts to assist the agency in coordinating the preparation of documentation for this system. No single group has been given responsibility for documenting and submitting the system for our approval.

District of Columbia government

Public Law 94-399, approved September 4, 1976, created the Temporary Commission on Financial Oversight of the District of Columbia and assigned it the responsibility for improving the District government's accounting and other financial management systems. Public Law 95-386, approved September 26, 1978, assigned the Commission the responsibility for auditing the District government's financial statements for fiscal 1979 through 1982. The Commission's work is to be done by contractors.

Public Law 94-399 requires the Comptroller General to approve, disapprove, or modify plans and designs prepared by the Commission's contractors. The law requires the Comptroller General to submit each plan and design to the Congress within 60 days of receipt and

after consultation with the Commission. The law further provides that plans and designs approved by the Comptroller General will become a part of the District government's financial planning, reporting, accounting, control, and operating procedures. Plans and designs modified by the Comptroller General will become a part of the District government's system unless the Congress adopts a concurrent resolution disapproving of the modification. Plans and designs disapproved by the Comptroller General cannot become a part of the District government's procedures unless the Congress adopts a concurrent resolution overriding the action of the Comptroller General.

Contrary to the provisions of Public Law 94-399, the Commission and the District government decided to implement systems developed by the contractors before obtaining GAO or congressional approval of the system designs. During fiscal 1979 and 1980, the following systems were implemented: financial management system, traffic ticket control system, cash management system, water and sewer billing system, and hospital information and billing system. None of these systems have been approved. The former Executive Director of the Commission told us that the systems were not submitted for our approval because he believed the approval process would delay implementation.

We informed the Commission and the District government on several occasions that premature implementation of the systems could result in problems. The problems encountered when the financial management system was implemented were numerous and severe. From the outset of operations on October 1, 1979, serious computer hardware and software problems, as well as other problems, prevented the timely and accurate processing of many documents. The inability to promptly resolve the problems caused late and inaccurate payments, delays in billing grantors, late and inaccurate reports to management, and inadequate control over many aspects of the District government's financial operations. The District government reported that most of the serious problems had been corrected by September 30, 1980, through intensive effort by the Commission's contractors and the District government.

At the end of fiscal 1980 the Commission's contractors and subcontractors were improving a health care services billing system and developing a welfare eligibility system; either a contractor or the District government was documenting each system. We anticipate approving some of these systems during fiscal 1981.

The District government has not yet determined how many systems it will have that will be subject to our approval under the Accounting and Auditing Act of 1950. These systems will not necessarily correspond to the plans and designs that are being developed under Public Law 94-399. We expect the District government to determine in calendar 1981 the number of systems subject to approval under the 1950 act and begin documenting those systems that are not yet adequate.

CHAPTER 4
REVIEWS OF ACCOUNTING SYSTEMS
AND RELATED ASPECTS OF FINANCIAL MANAGEMENT

In addition to approving executive agencies' accounting systems, section 112(c) of the Accounting and Auditing Act of 1950 requires us to review both approved and unapproved accounting systems from time to time. In these reviews we determine whether the accounting and related financial management operations (1) are carried out efficiently, effectively, and economically, and (2) conform to the principles, standards, and related requirements prescribed by the Comptroller General and the approved system designs. We evaluate the usefulness and accuracy of information provided to management and the Department of the Treasury and the effectiveness of internal controls over receipts and expenditures, assets and liabilities, and obligations of appropriations.

Section 113(a)(3) of the act requires the heads of executive departments and agencies to provide appropriate internal audit of their systems of accounting and internal control. Internal audit responsibilities include determining whether financial operations are conducted properly and whether financial reports are presented fairly. Proper conduct of financial operations requires compliance with the principles, standards, and related requirements for accounting prescribed by the Comptroller General.

The act directs us to report the results of our reviews, as appropriate, to the Congress, the heads of Federal executive agencies, the Director of the Office of Management and Budget, and the Secretary of the Treasury. When requested by committee chairmen and individual Members of the Congress, we review accounting systems and financial management matters and report the results to the requestor. Whenever our reports contain recommendations to the head of an agency, section 236 of the Legislative Reorganization Act of 1970 requires the agency to respond to the House Committee on Government Operations, the Senate Committee on Governmental Affairs and the Senate and House Appropriations Committees on actions taken on those recommendations.

Our reviews in these areas were designed to foster the development, implementation, and use of agency financial systems that give managers and operating personnel the information they need to (1) efficiently, effectively, and economically control public funds and resources and (2) use these funds and resources to achieve agency goals at the least practicable cost. To meet these objectives, we concentrated our audit efforts on evaluating whether

- pricing, billing, and collection systems can ensure that amounts owed the Federal Government are fully and promptly collected;
- provisions for sound cash management exist in agency accounting systems;

- accounting systems provide adequate internal controls over receipts, disbursements, and property;
- financial reporting systems disclose the results of Government operations and provide useful information to agency managers; and
- agency payroll systems ensure that employees are paid promptly and accurately.

Generally, our reviews showed that improvements were needed in each of these areas. Therefore, we encourage agencies to examine accounting systems and related financial matters that we have not recently reviewed to assure themselves that these deficiencies or others do not exist in their systems.

The results of our reviews on which we reported during fiscal 1980 are summarized in the following sections.

AGENCY PRICING, BILLING, AND COLLECTION SYSTEMS--ARE THEY ADEQUATE?

The primary objective of our work in this area is to determine whether agency accounting systems can ensure that amounts owed the Federal Government are promptly collected and can provide the necessary cost data to help ensure that the Government receives all amounts it is entitled to.

In fiscal 1980, we issued seven reports dealing with foreign military sales and collection of loans and other receivables. The findings, conclusions, and recommendations contained in these reports are summarized below.

Foreign military sales

In three reports on the Department of Defense's Foreign Military Sales Program, we discussed how the military sales trust funds operate and reported that (1) the balances in the program's trust funds are unknown and (2) Defense continues to subsidize the program.

How military sales trust funds operate: Saudi Arabian and Iranian funds compared

In a previous GAO review, we reported on canceled foreign military sales orders. 1/ In this report, we discussed safeguards needed to protect the United States' interests, should foreign countries cancel such agreements. 2/

1/FGMSD-79-47, July 25, 1979.

2/FGMSD-80-26, Jan. 28, 1980.

The Department of Defense, as a matter of policy, has required foreign customers to provide the United States with sufficient funds to cover current costs as well as termination costs. However, as in the case of Iran, this policy was not followed. Defense reaffirmed this policy by requiring the military departments to determine and include appropriate termination costs in the foreign governments' payment schedules. Defense should ensure that the policy is uniformly implemented and that the estimated termination liability reserves are promptly billed to foreign governments. This should help ensure that liability does not fall on the United States, should foreign sales agreements be canceled in the future.

We recommended that the Secretary of Defense ensure that

- the military departments uniformly implement Defense procedures for computing termination liability reserves,
- payment schedules include adequate termination liability reserves and foreign governments are promptly billed,
- collections for possible contract termination costs are segregated in the trust fund and not used for routine contractor payments, and
- established procedures for pricing items diverted to second buyers are followed before funds are transferred to the Iranian trust fund.

We are currently following up to see if Defense has taken the recommended actions.

Correct balance of Defense's foreign
military sales trust fund is unknown

The House Committee on Appropriations requested that we review the Defense Department's efforts to reconcile differences between the records used to prepare statements of account to foreign customers and the cash balances in these customers' trust fund accounts. We found that although Defense has initiated improvements, additional action is needed. Specifically, we noted that as of September 30, 1979, procedures had not been implemented to periodically reconcile detailed accounting records for each sales case with the trust fund records. Also, cash balances recorded in statements of account sent to foreign governments differed by over \$1.5 billion from the balances of those countries' trust fund accounts. 1/

1/FGMSD-80-47, June 3, 1980.

As a result of these differences, Defense could not determine the amount of money available to foreign customers for purchasing military goods and services and could not provide foreign customers with an accurate accounting of funds deposited in the trust accounts.

To correct these problems, we recommended that, in the short range, the Secretary of Defense should direct the military departments and the Security Assistance Accounting Center to establish adequate control over customer trust funds by

- identifying and correcting differences in trust fund and supporting detailed sales records and
- enforcing Defense policies requiring reconciliation of key accounting records so that unexplained differences will not arise in the future.

We also recommended that, in the long range, the Secretary of Defense should continue actions to centralize foreign military sales accounting and disbursing as the most viable alternative to finally resolve Defense's foreign military sales accounting and financial management problems.

As a result of our findings and recommendations, the House Appropriations Committee directed Defense to conduct a test of foreign military sales accounting. This test is currently underway at the Security Assistance Accounting Center in Denver.

Response to Defense comments
on GAO report

In March 1979, we reported 1/ that during fiscal 1973 through 1978, the Defense Department had not charged an estimated \$370 million for quality assurance services provided on items sold to foreign countries. Recovery of these costs has been required since at least 1970.

Failure to recover these costs stems largely from inadequate implementation of Defense's pricing policies by the military departments and Defense agencies, and insufficient followup or monitoring of the departments' and agencies' actions by Defense policymakers. Our main recommendation was that Defense should assign to a new or existing organization the specific responsibility for ensuring effective and consistent implementation of foreign military sales pricing policies. Defense rejected that recommendation. In a

1/FGMSD-79-16, Mar. 22, 1979.

December 1979 followup report we asked Defense to reconsider its position. 1/

Subsequently, our recommendation was discussed during congressional hearings on Defense's fiscal 1980 appropriation for operation and maintenance. The committee reduced the appropriation by \$32 million because of Defense's failure to recover the costs of quality assurance services provided on items sold to foreign countries, as we had reported. Defense placed a surcharge on the quality assurance services costs to help recover the \$32-million reduction. However, most of the budget cut was absorbed by Defense.

Federal managers should emphasize accounting for loans and other receivables

The importance of prompt and effective billing and collection procedures is recognized by the highest level of Government. The five reports summarized below point to the need for Federal managers to increase emphasis on implementing effective accounting systems for receivables.

Efforts to improve HUD's mortgage insurance accounting system and delays in implementing that system

The Department of Housing and Urban Development's mortgage insurance accounting system controls about \$350 million in annual premiums. As of September 1979, HUD was reporting over \$22 million in delinquent premiums.

We found that HUD had not been sufficiently aggressive in collecting premiums due from mortgage institutions. 2/ We arrived at this conclusion because, even after HUD had canceled \$18.6 million in premiums (without documented justifiable reasons), its September 1979 balance of \$22 million in delinquent premiums was greater than the \$18 million we reported 2 years earlier. Most of HUD's collection problems are attributed to its mortgage insurance accounting system. We pointed out that HUD's present system cannot always

--promptly establish and terminate mortgages in the master file and

--identify and bill the correct mortgagee or servicing agent.

Controls over delinquent premiums were expected to be drastically improved once a highly automated new system was implemented in September 1979. However, in our report on delays in implementing

1/FGMSD-80-2, Dec. 3, 1979.

2/FGMSD-80-27, Mar. 19, 1980.

HUD's mortgage insurance accounting system, 1/ we pointed out that this new system's development has been plagued with management problems which have contributed to an increase of more than \$23 million to the \$4.6 million originally estimated for development costs, and a delay of more than 4 years in implementation. We also reported that HUD had planned some shortcuts in implementing the system that could cause even further delays.

We made several recommendations to correct the deficiencies we noted. HUD has acted or is planning to act on each of these recommendations.

HUD should make immediate changes
in accounting for Secretary-held
multifamily mortgages

We reported on HUD's accounting system for Secretary-held multifamily mortgages. 2/ We found that over \$500 million in delinquent mortgage payments is owed to HUD, partly because of the Department's poor loan servicing and lack of incentive for prompt payments. Also, loan servicing is hampered by an accounting system that does not provide sufficient and timely information. As in our other reviews of HUD, Department officials claim the new system will correct the problems noted.

Because the planned implementation of the multiphased new automated system was about 18 months away at the time of our review, we made several recommendations for interim changes needed in the current system. HUD is implementing those interim changes.

The Law Enforcement Education Program
is in serious financial disarray

The Law Enforcement Assistance Administration, through its Law Enforcement Education Program, has given \$278 million in loans and grants for higher education to individuals working or planning to work in law enforcement. Inadequate controls and inaccurate records caused financial and administrative breakdowns. We estimated that

- 84 percent of those billed did not pay,
- \$18.2 million currently owed will not be collected,
- about \$2 million that should have been collected was not collected during one quarter of fiscal 1977, and
- about 90 percent of the bills were incorrect.

1/ FGMSD-80-37, Mar. 4, 1980.

2/ FGMSD-80-43, May 16, 1980.

In addition, we found that the reported loans receivable balance of \$149.6 million for fiscal 1978 was overstated by \$72.4 million. 1/

In May 1980 the program was transferred to the new Department of Education. The new department is planning to develop a new overall accounting, billing, and collection system which will include the Law Enforcement Education Program. This report recommends improved controls which could increase collections, restore accounting system integrity, and guard against future problems.

Oregon's offset program
for collecting delinquent debts
has been highly effective

The Subcommittee on the Legislative Branch of the Senate Committee on Appropriations requested that we evaluate Oregon's program for collecting uncontested delinquent debts by keeping State tax refunds as offsets. The subcommittee was interested in the success of the program and its applicability to the Federal Government.

We reported that Oregon's offset program has been very successful in collecting delinquent debts. 2/ In 1979 alone, over \$2.4 million in delinquent debts that probably would have been lost to the State were collected by offset. The State spent only about \$200,000 to collect this amount.

We also reported that we believe a Federal offset program would repeat Oregon's success and significantly increase collections while costing relatively little. We recommended such a program in a March 1979 report to the Congress. 3/ In that report we proposed that, as a test, agencies refer to the Internal Revenue Service for offset those debts which the agencies have been unable to collect through normal collection procedures. The test program would include provisions to ensure that only undisputed debts were offset and to fully protect the debtor's right to due process. Because the Congress did not appropriate funds for that test, however, the Internal Revenue Service was unable to carry it out.

In our report on the success of Oregon's offset program, we continued to strongly support a Federal income tax refund offset program for collecting otherwise uncollectible debts. We also reiterated our earlier recommendation that the Congress provide funding for the Internal Revenue Service to test and adopt an offset program.

1/FGMSD-80-46, June 4, 1980.

2/FGMSD-80-68, July 17, 1980.

3/FGMSD-79-19, Mar. 9, 1979.

AGENCY ACCOUNTING SYSTEMS--DO THEY PROVIDE
FOR SOUND CASH MANAGEMENT?

This area of review addresses Federal agencies' efforts to ensure that their accounting systems include adequate controls for sound cash management. It deals primarily with accounting procedures that can result in substantial reduction of interest on the public debt.

During fiscal 1980 we issued three reports on the Department of Health, Education, and Welfare (HEW). 1/ The reports dealt with HEW's need to (1) improve control over billions in cash advances, (2) improve cash management of the National Direct Student Loan Program, and (3) more promptly invest employee withholdings and Government contributions to the retirement, life insurance, and health insurance trust funds.

HEW must improve control
over millions in cash advances

Due to deficiencies in HEW's management of Federal assistance advances to non-Federal organizations, assistance recipients held about \$249 million in Federal money more than they needed. Such holding of excess funds increases interest on the public debt by nearly \$8.3 million annually.

Our 1980 report discussed weaknesses which allow the cash to accumulate, including deficient procedures, inadequate accounting records, and ineffective fund controls. It also discussed the assistance financing system's other problems and pointed out that HEW has no authority to advance loan money. 2/

The report recognized HEW's ongoing efforts to redesign the system to include essential controls and recommended several actions to improve those controls and to provide data needed for management decisions.

HEW's Inspector General acknowledged the serious weaknesses in the assistance financing system and said that most of our recommendations have been or would be implemented.

Better cash management can reduce the cost
of the National Direct Student Loan Program

This report summarized the results of our review on the cash management of the National Direct Student Loan Program. 3/ It

1/Now the Department of Health and Human Services.

2/FGMSD-80-6, Dec. 28, 1979.

3/FGMSD-80-5, Nov. 27, 1979.

showed that because the Department of Health, Education, and Welfare had not emphasized cash management, schools participating in the program were holding an annual average of more than \$63 million in Federal funds in excess of their 30-day need. We estimated that the Government could save as much as \$4 million annually in interest costs on its borrowings if the Treasury could use this \$63 million until schools need it for loans.

The report contained recommendations for strengthening cash management of the program and for providing the agency with 1-year authority to reuse returned excess Federal funds to continue financing the National Direct Student Loan Program. (Responsibility for this program has since been transferred to the Department of Education.)

HEW agreed with the recommendations except for the one regarding legislation that would provide 1-year authority to reuse returned excess Federal funds. Instead of proposing such legislation, the agency deposited the excess funds in the Treasury as miscellaneous receipts which cannot be reused until they are made available through the annual appropriation and apportionment process.

Investment procedures were changed
to eliminate lost interest income

In response to a request from the Chair, Subcommittee on Compensation and Employee Benefits, we checked into allegations that millions of dollars in interest income were lost by the retirement, life insurance, and health insurance trust funds due to poor accounting controls over checks from Federal agencies to the Office of Personnel Management. These checks contain employee withholdings and agency contributions for deposit into the trust funds which are managed and invested by OPM. The resulting interest earnings then become part of the trust funds. The allegations attributed the lost interest to missing checks and delayed deposits which delayed investment of the money.

We found that the allegations dealt with conditions that existed at a time when checks were used exclusively to transmit deposits to the trust funds. However, since 1978, when the remittance procedures were changed substantially, about 98 percent of the total deposits have been transmitted by more efficient noncheck procedures. These procedures should eliminate to the maximum extent practical the possibility of lost income. 1/

1/FGMSD-80-79, Aug. 21, 1980.

INTERNAL CONTROLS OVER RECEIPTS
AND DISBURSEMENTS--ARE THEY EFFECTIVE?

We issued a report to the Congress in 1978 stating that the Federal Government is probably losing several billion dollars annually through fraudulent activities, and that this condition strongly suggests the existence of widespread problems with agencies' internal controls. 1/ This area of our review addresses the adequacy of Federal agency accounting systems' internal controls.

In fiscal 1980 we reported to the Congress on the extent of internal control weaknesses in Federal agencies. We also reported separately on internal control weaknesses in individual agencies. Our summaries of these reports follow.

Continuing and widespread weaknesses
in internal controls allow losses
through fraud, waste, and abuse

In 1980 we reported to the Congress on the extent of financial and accounting internal control weaknesses in Federal agencies. The report showed that serious internal control weaknesses exist in Federal financial operations and, more importantly, that such weaknesses annually allow billions of dollars to be lost through fraud, waste, and abuse. 2/

The report consolidated the results of earlier reviews of operations at 157 fiscal offices in 11 of the larger Federal agencies. The offices represented a cross-section of Government activities--civilian and military, domestic and overseas. The review covered virtually all aspects of accounting operations--accounts receivable, collections, disbursements, obligations, and imprest funds. The report pointed out that Federal agency heads were not carrying out responsibilities specifically assigned by law for maintaining effective systems of internal control. It also pointed out that the agencies do not effectively utilize their internal audit staffs to monitor their own financial operations.

We recommended that Congress enact legislation referred to as the Financial Integrity Act. This law would place greater accountability on Federal agency heads for the soundness of their organizations' systems of internal control.

1/GGD-79-62, Sept. 19, 1978

2/FGMSD-80-65, Aug. 28, 1980.

Major deficiencies exist
in Army's Washington, D.C.,
finance and accounting operation

The Army's Washington, D.C., finance and accounting operation does not maintain effective procedures and internal controls to account for and prevent theft and fraudulent transactions involving cash, checks, and bonds. We noted the following discrepancies:

- Unsupported adjustments of over \$531 million at yearends 1977 and 1978 to bring account balances into agreement with Treasury reports.
- Checks of over \$300,000 received by the Finance and Accounting Office and not adequately accounted for.
- Since late 1977, two employees involved in disbursing functions found guilty of fraud amounting to over \$20,000.

The major causes of the Office's ineffectiveness include the absence of a stable work force, inadequacies in implementing the Standard Army Civilian Payroll System, and a need to improve and strictly enforce internal controls and procedures. We recommended that the Secretary of Defense direct the Secretary of the Army to (1) devise and implement a plan for reducing Finance and Accounting Office personnel turnover, (2) temporarily assign personnel from other organizations to help the Office develop and implement internal procedures and controls, and (3) take other actions to improve the Office's effectiveness. We also recommended that the workload of the Office be reduced if the Army could not adequately reduce the Office's personnel turnover. 1/

The Department of Defense advised us that it concurred in all of our recommendations and that a high-level steering committee had been convened to oversee improvements of the Office.

Improvements were recommended for the
Air Force's cost accounting system

We reviewed the Air Force's Civil Engineer Cost Accounting System at Travis Air Force Base, California, and found the system operating substantially in conformance with the GAO-approved system design. 2/ We noted, however, that internal controls over the transfer of residual materials could be improved.

We also reviewed the Air Force Audit Agency's 1977 audit of this system and found that the scope of the work was inadequate

1/FGMSD-80-53, June 5, 1980.

2/FGMSD-80-18, Nov. 30, 1979.

for determining whether the system was operating in conformance with the GAO-approved system design. Because this is a standard system and has been implemented at about 119 installations worldwide, it is especially important that the Audit Agency adequately review the system to ensure that it was implemented in accordance with the approved design.

We recommended that the Secretary of the Air Force:

- Require that internal controls over the cost of residual material transferred to work orders, and the flow of material source documents, be improved at Travis Air Force Base.
- Advise the Air Force Audit Agency to expand the scope of its reviews of GAO-approved accounting systems in operation when they are not done in conjunction with full-scale system audits.

Department of Defense officials generally agreed with these recommendations and have taken appropriate corrective action.

Weaknesses in accounting for
Government-furnished materials
at Defense contractors' plants
led to excesses

The Defense policy to rely almost solely on contractors for accounting controls over the estimated billions of dollars in materials furnished to them is not effective. This review of four production contractors showed that lack of proper accounting controls led to Defense providing or initiating shipment of materials totaling \$1.3 million over contract allowances.

To combat the problems noted, we made several specific recommendations that require the military services to establish systems which, together with contractors' records, will effectively account for and control Government-furnished materials. 1/

Defense is testing an accounting system to control Government-furnished property given to overhaul and reproduction contractors. If the test is successful, the system will be expanded to include production contractors and should correct the problems noted in this review.

Fiscal 1979 presidential and vice-presidential
certified expenses were examined

Our first report on presidential and vice-presidential expenses, which was required by Public Law 95-570, identified no

1/FGMSD-80-67, Aug. 7, 1980.

unauthorized expenditures. 1/ The expenses are accounted for solely on the certificate of the President and Vice President. However, the Comptroller General is authorized to audit the accounts to verify that such expenses were for authorized purposes. He is required to report to the Congress on his verification and on any expenditures made for unauthorized purposes.

AGENCY PAYROLL SYSTEMS--DO THEY ENSURE
THAT EMPLOYEES ARE PAID AMOUNTS DUE
PROMPTLY AND ACCURATELY?

Our objective in this area of review was to determine whether payroll systems in the Federal Government include procedures adequate to ensure that civilian and military employees are paid accurately and on time and that the systems contain controls necessary to prevent unauthorized payments.

The Marine Corps military pay system
has too many errors and inefficiencies

We reviewed the Marine Corps Joint Uniform Military Pay System/Manpower Management System, which was authorized by the Department of Defense in 1966. The system design was approved by the Comptroller General and implemented by the Marine Corps in 1973. Although millions of dollars have been spent on the system--a central system intended to compute Marine Corps members' pay accurately and on time--it is still unreliable and inefficient. For example, (1) 19 percent of the pay accounts audited were in error by an average of \$103 and (2) disbursing personnel salaries and benefits cost over \$7 million more each year under the automated system than under the former manual system. A significant factor in the increased cost is that many manual procedures have been retained to correct errors the automated system makes. 2/

The Marine Corps plans to spend additional millions of dollars to replace the current system with a more sophisticated one between 1985 and 1990. But, unless the current system is improved and Department of Defense monitoring of the Marine Corps' system development and implementation is improved, many deficiencies in the current system will be carried over to the new one.

We made several recommendations to the Secretary of Defense to improve (1) the management and operation of the pay system, (2) administration of the system being planned, and (3) Defense monitoring of Marine Corps compliance with its instructions. The Secretary of Defense concurred with the recommendations and is either taking or planning to take the recommended corrective actions.

1/FGMSD-80-70, July 16, 1980.

2/FGMSD-80-49, June 10, 1980.

Major deficiencies exist
in Army's Washington, D.C.,
payroll operations

This report (also discussed on p. 33) points out that the Army's Washington, D.C., finance and accounting operations for civilian payrolls are inadequate for preventing erroneous payments and deterring fraud. 1/ Erroneous payments for at least \$100,000 were made during a 6-month period. In the last several years, six employees have been found guilty or charged with payroll frauds exceeding \$125,000.

We made several recommendations to the Department of Defense to correct the problems allowing such fraud to occur. The Department agreed with the recommendations and is establishing a committee to oversee the corrective action.

The Navy's computerized pay system
is unreliable and inefficient

During the past 12 years, the Navy has spent over \$150 million to develop and operate a central automated pay system for its military personnel. But the centralized system is so unreliable that, as a check, local disbursing officers calculate pay amounts manually. Each payday, over 50 percent of the centrally computed pay amounts are changed to agree with amounts computed locally.

The report made several recommendations to the Secretary of Defense to improve the timeliness and accuracy of inputs to the automated system and to reduce the manual effort required to make the system work. 2/ The Secretary concurred with our recommendations.

This report discusses serious deficiencies in the Navy's central pay system for military personnel. GAO approved the design of the system but now finds that the Navy did not implement the design effectively. Also, the Navy made changes to the system which it did not submit for approval as required and which, if submitted, GAO would not have approved.

Improvements were needed
in Agriculture's payroll operations

On July 17, 1980, we issued a report on the Department of Agriculture's centralized payroll system through which about

1/FGMSD-80-53, June 5, 1980.

2/FGMSD-80-71, Sept. 26, 1980.

130,000 employees were paid approximately \$2.3 billion annually. 1/ The report identified several areas in the manual payroll operations where improvements were needed to ensure accurate pay and payroll records. The Department has responded to our report and taken the necessary corrective actions.

Complaints were received
about HUD's payroll system

On July 22, 1980, we issued a report to the Secretary of Housing and Urban Development on HUD's centralized payroll system. 2/ The report was the result of a request by Congressman W. Caldwell Butler to identify the causes of many payroll complaints received from his constituency.

In the report to the Secretary of the Department, we recommended that action be taken to

- correct several payroll system design deficiencies,
- provide adequate means to resolve payroll complaints,
- provide adequate training to employees entering personnel actions into the payroll system, and
- correct procedures in the Emergency Salary Payment process which allowed employees to receive salary advances.

The Department agreed with our findings and took immediate corrective actions.

FINANCIAL REPORTING SYSTEMS--ARE THEY ADEQUATE?

Our work objective in this area was to evaluate the adequacy of financial reporting systems to disclose the results of Government operations and to provide useful information to managers.

In fiscal 1980, we issued 11 reports pointing out the need to improve the usefulness of financial reports and weaknesses in the operation of accounting systems. The reports are described on the following pages.

EPA has acted to improve
computer-produced reports

This report discussed the need for and usefulness of financial reports produced by three of the Environmental Protection

1/FGMSD-80-69.

2/FGMSD-80-72.

Agency's (EPA's) automated systems--Financial Management, Grants Information and Control, and Personal Property. 1/

The report disclosed that regional personnel do not obtain all the information the three systems are capable of producing. Further, headquarters' use of the grants and property systems is limited because regional offices are either not entering data or entering erroneous data into their systems. Failure to enter all transaction data into the Personal Property system's central data base has caused EPA to lose central control over its \$137 million investment in personal property.

In response to our recommendations, EPA took a number of actions to improve the effectiveness of its automated systems.

Navy is reviewing the usefulness
of financial reports produced
by its resource management system

This report discussed the need for and usefulness of reports produced by the Resource Management System--the Navy's accounting system for its Operation and Maintenance appropriation.

Managers and operating personnel at the naval command levels we visited generally did not use the uniform financial reports produced by the Resource Management System to control appropriated funds and manage day-to-day operations. 2/ The two main problems users had with their reports were that (1) the information presented was incomplete and out of date and (2) the report formats were confusing. To overcome these problems, naval managers ran memorandum accounting systems to obtain needed information.

The Navy is designing its Integrated Disbursement and Accounting System to replace the automated processing portions of the Resource Management System. The Navy has advised the Congress that it will review Resource Management System report formats as part of this system design effort. This new system and the report format review should solve the problems we noted.

Air Force is working toward using
its civil engineer cost accounting reports
more effectively

Air Force civil engineer cost reports for maintenance and construction at Air Force bases show significant differences between planned and actual labor hours. These differences are not

1/FGMSD-80-11, Dec. 11, 1979.

2/FGMSD-80-19, Jan. 15, 1980.

being analyzed and action is not being taken to determine causes and correct the problems. We recommended that the Air Force analyze the variances and use the results of the analysis to establish more realistic work schedules and increase work force efficiency. 1/ The Air Force concurred and is implementing our recommendations.

Naval Supply Systems Command is improving its allotment accounting system reports

Because of computer system problems and the lack of an effective report revalidation program, the automated allotment accounting system used by the Aviation Supply Office (ASO) in managing the Navy Stock Fund produced reports that were inaccurate and so detailed and voluminous that managers and operating personnel had little, if any, use for them.

ASO estimated the value of assets and liabilities in preparing its fiscal 1979 budget reapportionment request because it did not have confidence in information from the automated allotment accounting system. As examples of excessive detail--(1) a 2,000-page report contained the balances of 15,900 accounts, although ASO was interested in only 380; (2) two reports, generally not used by managers and operating personnel, totaled about 30,000 pages annually and required the processing of thousands of punched card transaction records at considerable expense.

Naval officials agreed with our findings. They said that our suggestions for improving the usefulness of specific reports have been implemented and that work programs and approaches were being developed by their reports revalidation group to provide for the assessments and followup action we recommended.

Because of the importance of producing accurate and useful accounting information, we recommended that the Secretary of the Navy see that other naval commands have effective reports revalidation programs. 2/ The Navy concurred with this recommendation and has already initiated report revalidation programs at some naval commands.

Federal agency gift funds need criteria and more disclosure to the Congress

At the request of Senator Max Baucus, Chairman of the Senate Subcommittee on Limitations of Contracted and Delegated Authority, we reviewed the larger Federal agency gift funds. During fiscal

1/FGMSD-80-12, Jan. 16, 1980.

2/FGMSD-80-42, Apr. 30, 1980.

1979, 41 Government agencies received a total of \$21,631,000 classified as gift revenue. The gifts come from a variety of sources including corporations, individuals, and nonprofit organizations. Once gifts are accepted, agencies have great flexibility in using them, as there are no Government-wide criteria for judging a proper gift fund disbursement.

We found that gift funds are used for a variety of purposes, usually to further agency goals. Little information, however, is reported to the Congress on the sources and uses of these gifts. 1/ For example, the Library of Congress used the gifts to establish revolving funds without obtaining congressional approval. 2/

We further noted that the agencies' ability to finance activities with gifts dilutes congressional oversight of agency operations.

In view of the lack of gift fund information available to the Congress, we recommended that the Office of Management and Budget

- require Federal agencies to more fully disclose gift fund operations in their budget submissions;
- review agency budget submissions to ensure that reporting requirements are met; and
- develop Government-wide criteria for the solicitation, receipt, and use of gift funds.

This information should give the Congress a clearer picture of gift fund activities and how these activities affect overall agency operations.

Existing procedures limit
congressional knowledge of
Library of Congress' revolving funds

Our report on the Library of Congress disclosed that the Library has used its gift authority to establish at least 24 revolving funds that are not specifically approved by the Congress. 3/ Together, these funds generate approximately \$3.7 million annually in receipts from various activities. The activities include, among other things, a photoduplication service, a recording laboratory, and various publications. The Library's disclosure of these activities in the Federal Budget Appendix is inadequate,

1/FGMSD-80-77, Sept. 24, 1980.

2/FGMSD-80-76, Sept. 24, 1980.

3/Ibid.

and its accounting, budgeting, and reporting of them do not meet prescribed procedures. These factors serve to limit congressional knowledge of the Library's revolving funds.

- As a result of the findings, we recommended that the Librarian
- request specific statutory authorization for each revolving fund activity currently operated by the Library that generates revenues exceeding the scope of the donor's gift and
 - implement all established accounting and reporting rules and regulations governing revolving funds.

The Library officials agreed to correct most of the problems we noted.

Defense accounting has too many errors

The military services and Defense Contract Administration Services regions have failed to implement standard contract accounting systems. Consequently, errors totaling millions of dollars were reported and recorded for contracts. We recommended that the regions ensure the accuracy of financial transactions processed and sent to the military services. We also recommended that the Secretary of Defense require implementation of the Military Standard Contract Administration Procedures in accordance with specific timetables. 1/

The Assistant Secretary of Defense concurred with each of our recommendations. A comprehensive review is underway which will more fully evaluate Defense's action on our recommendations.

Federal Highway Administration is redesigning its Accounts System to eliminate inefficient use of computers and people

This report pointed out that, as it currently exists, the Federal Highway Administration's Accounts System consists of overlapping manual and automated processing steps. 2/ The degree of overlap is such that the agency maintains essentially duplicate systems to account for and report on its trust and operating funds. The report also disclosed that the agency can reduce operating costs for the system by redesigning it to eliminate redundant processing steps and use modern data entry and retrieval methods.

In response to our report, the agency informed us that they have initiated a project to redesign the Accounts System.

1/FGMSD-80-10, Jan. 9, 1980.

2/FGMSD-80-22, Jan. 11, 1980.

Anti-Deficiency Act was violated
by the Navajo and Hopi Indian
Relocation Commission

We were requested by the Subcommittee on Interior and Related Agencies, House Committee on Appropriations to review whether the Navajo and Hopi Indian Relocation Commission had committed an Anti-Deficiency Act violation in August 1978. We found such a violation had occurred as had a series of other such violations. 1/ None of the violations was reported as required by law.

By investigating these violations, we found they were not caused by system or reporting deficiencies, but rather by managerial decisions. We recommended that the violations be reported to the Congress as required, which the Commission has done.

Errors in health benefit enrollment data
push up health insurance costs

Discrepancies in enrollment data between Federal agencies' and health insurance carriers' records cause erroneous premiums and benefit payments and ultimately increase health insurance costs for both the Government and its employees.

The outdated manual system for exchanging information between agencies and carriers causes most of the errors. Exchange of data in computer-readable form would diminish the errors and reduce administrative costs. We recommended that the Director, Office of Personnel Management take steps to automate the exchange of enrollment data. 2/ The agency agreed with our recommendation and has undertaken various examinations of automated alternatives to the current manual health benefits reporting system.

Improvements are needed in accounting
for foreign student participation
in Defense training programs

As requested by the Chairman of the Committee on Foreign Relations, we analyzed statistical data on the Department of Defense's training of foreign military personnel. 3/ Our report compared trends over the past decade for the number of students trained and the countries involved, the type of training provided, and the course costs for training provided under the International Military Education and Training Program and the Foreign Military Sales Program.

1/FGMSD-80-17, Jan. 29, 1980.

2/FGMSD-80-8, Dec. 6, 1979.

3/FGMSD-80-48, Apr. 15, 1980.

We also reported separately 1/ on the deficiencies disclosed during our review and our recommendations for corrective action. We found that the Department of Defense does not have an adequate system to record and report the number of foreign students trained or to accumulate and report the costs incurred but not charged to foreign military students training under the International Military Education and Training Program. Until Defense accumulates costs, the reported value of training provided under these programs will be understated. To give the Congress a better idea of the total program cost, we believe all costs not charged should be reported.

We recommended that the Secretary of Defense:

- Establish procedures requiring the military services to promptly report to Defense accurate data on the actual number of students trained.
- Establish an accounting system to enable the agency to determine the amount of costs incurred but not charged by Defense in training foreign students under the International Military Education and Training Program.

Defense generally agreed with our recommendations and has established a system to determine the amount of costs incurred but not charged in training foreign students.

1/FGMSD-80-58, May 7, 1980.

PAST REPORTS ON STATUS, PROGRESS, AND PROBLEMSIN FEDERAL AGENCY ACCOUNTING

Progress and Problems Relating to Improvement of Federal Agency Accounting Systems as of December 31, 1968, B-115398, Sept. 18, 1969.

Status, Progress, and Problems in Federal Agency Accounting, 1969 Annual Report, B-115398, Dec. 31, 1970.

Status, Progress, and Problems in Federal Agency Accounting During 1970 and 1971, B-115398, May 19, 1972.

Status, Progress, and Problems in Federal Agency Accounting During 18 Months Ended June 30, 1973, B-115398, Sept. 19, 1973.

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1974, B-115398, Nov. 12, 1974.

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1975, B-115398 (FGMSD-76-13), Oct. 23, 1975.

Status, Progress, and Problems in Federal Agency Accounting During 15 Months Ended September 30, 1976, B-115398 (FGMSD-77-21), Aug. 24, 1977.

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1977, B-115398 (FGMSD-78-24), May 26, 1978.

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1978, B-115398 (FGMSD-79-40), Aug. 24, 1979.

Status, Progress, and Problems in Federal Agency Accounting During Fiscal 1979, B-198807 (FGMSD-80-52), June 20, 1980.

APPENDIX II

APPENDIX II

STATUS OF APPROVALS OF ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1980

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF AGRICULTURE				
Centralized Automated Payroll System	Sept. 1967	Sept. 1967	_____	_____
Rural Electrification Administration Program System	Sept. 1977	Sept. 1978	_____	_____
Agricultural Stabilization and Conservation Service Program System	Feb. 1977	Sept. 1980	_____	_____
Central Accounting System	Feb. 1979	_____	FY 1981	_____
Food and Nutrition Service Program System	June 1973	_____	_____	FY 1982
Farmers Home Administration Program System	Sept. 1977	_____	_____	FY 1983
Total	6	3	1	2
DEPARTMENT OF COMMERCE				
National Bureau of Standards	Nov. 1977	Feb. 1953	_____	_____
Bureau of the Census	do.	May 1966	_____	_____
Office of the Secretary	do.	Feb. 1970	_____	_____
Economic Development Administration	do.	Oct. 1970	_____	_____
National Oceanic and Atmospheric Administration	do.	do.	_____	_____
Maritime Administration	do.	Jan. 1971	_____	_____
Patent and Trademark Office	do.	Mar. 1971	_____	_____
National Technical Information Service	do.	_____	FY 1981	_____
Total	8	7	1	
DEPARTMENT OF DEFENSE				
Department of the Air Force:				
Medical Materiel Accounting System (Property Accounting)	Aug. 1972	Oct. 1973	_____	_____
Cadet Pay - AFROTC (Military Pay)	do.	Jan. 1974	_____	_____
Uniformed Services Savings Deposit (Military Pay)	do.	do.	_____	_____
Cadet Pay - Academy	do.	Mar. 1974	_____	_____
Joint Uniform Military Pay System	do.	Jun. 1974	_____	_____
Job Order Cost Accounting System	do.	Mar. 1975	_____	_____
Federal Computer Performance Evaluation and Simulation Center Cost System	do.	Apr. 1975	_____	_____
Air Force Academy Stock Fund	do.	Jun. 1975	_____	_____
Commissary Stock Fund - Base Level	do.	do.	_____	_____
Laundry & Dry Cleaning Services - Central Office (Industrial Fund)	do.	do.	_____	_____
Laundry & Dry Cleaning Services - Base Level (Industrial Fund)	do.	do.	_____	_____
Air Reserve Pay and Allowance System	do.	do.	_____	_____
Air Force Stock Fund - Departmental Level	do.	Jan. 1976	_____	_____
Base Level Materiel System (Property System)	do.	do.	_____	_____
Civil Engineer Cost System	do.	Mar. 1976	_____	_____
Automated Civilian Pay System	do.	May 1976	_____	_____

GAO note: The footnotes for this appendix are on page 55.

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (con.)				
Department of the Air Force (con.)				
Military Aircraft Storage and Disposal Center Cost/Billing System (Industrial Fund System)-----	Aug. 1972	May 1976	-----	-----
Airlift Services - Industrial Fund-----	do.	Jun. 1976	-----	-----
Air Force Industrial Fund - Departmental Level-----	do.	Sept. 1976	-----	-----
Commissary Trust Revolving Fund (Specialized Accounting System)-----	do.	Aug. 1977	-----	-----
Stock Fund Reporting-----	do.	Sept. 1978	-----	-----
Financial Inventory Accounting - Investment Items (Property Accounting)-----	do.	Sept. 1979	-----	-----
Financial Inventory Accounting - Stock Fund (Command Level)-----	do.	do.	-----	-----
Central Procurement (Property Accounting)-----	do.	do.	-----	-----
Air Force Retiree/Annuitant Pay System-----	do.	Jul. 1980	-----	-----
Real Property Maintenance Industrial Fund-----	do.	-----	Jan. 1981	-----
Defense Integrated Financial System for Foreign Military Sales-----	do.	-----	Mar. 1982	-----
General Accounting & Finance System - Departmental, Command & Base Level-----	do.	-----	a/Sept. 1982	-----
Depot Maintenance Industrial Fund-----	do.	-----	-----	Sept. 1982
Total Air Force-----	29	25	3	1
Department of the Army:				
Joint Uniform Military Pay System--Active Army-----	Jun. 1973	Oct. 1973	-----	-----
Standard Army Intermediate Level Supply System-----	do.	May 1975	-----	-----
Test and Evaluation Command Activities-----	do.	Aug. 1976	-----	-----
Corps of Engineers-----	Nov. 1974	July 1977	-----	-----
Facilities Engineer Job Order Cost Accounting-----	June 1973	do.	-----	-----
Military Pay--Academy Cadets-----	do.	Sept. 1977	-----	-----
U.S. Army Materiel Development and Readiness Command Funds Distribution-----	do.	July 1978	-----	-----
Civilian Pay-----	do.	Dec. 1978	-----	-----
Transportation Disbursing and Reporting-----	do.	Feb. 1980	-----	-----
Military Traffic Management Command-----	do.	-----	Feb. 1981	-----
Commodity Command Standard System--Stock Fund-----	do.	-----	May 1981	-----
Military Retired Pay-----	do.	-----	do.	-----
Standard Finance System-----	do.	-----	-----	Mar. 1983
Program and Budget Accounting (note b)-----	do.	-----	-----	Dec. 1983
Total Army-----	14	9	3	2

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (con.)				
Department of the Navy (includes Marine Corps):				
Marine Corps JUMPS (Military Pay)-----	Mar. 1973	Jun. 1973	-----	-----
Public Works Center (Industrial Fund)-----	do.	Mar. 1974	-----	-----
Shipyards (Civilian Pay)-----	do.	Mar. 1975	-----	-----
General Area Support Points (Civilian Pay)-----	do.	do.	-----	-----
Ordnance Activities (Civilian Pay)-----	do.	do.	-----	-----
Marine Corps Activities (Civilian Pay)-----	do.	May 1975	-----	-----
Navy Regional Finance Centers (Civilian Pay)-----	do.	Jun. 1975	-----	-----
Navy Regional Finance Centers (Bond Accounting)-----	do.	do.	-----	-----
Shipyards (Industrial Fund)-----	do.	do.	-----	-----
Marine Corps Activities (General Accounting System)-----	do.	Aug. 1976	-----	-----
Ordnance Activities (Industrial Fund System)-----	do.	do.	-----	-----
Facilities Engineering Activities (Civilian Pay)-----	do.	Sept. 1976	-----	-----
Industrial Air Stations (Civilian Pay)-----	do.	do.	-----	-----
Navy JUMPS - Central Site (Military Pay)-----	do.	do.	-----	-----
Non-Mechanized Resource Management System (General Accounting System)-----	do.	do.	-----	-----
Fleet Air (General Accounting System)-----	do.	do.	-----	-----
Non-Mechanized Command Level Activities - Major Command/Fund Management System-----	do.	do.	-----	-----
Naval Education and Training Command (General Accounting System)-----	do.	do.	-----	-----
Navy Reserve Personnel Drill Pay-----	do.	Jul. 1977	-----	-----
Midshipmen (Military Pay)-----	do.	do.	-----	-----
Naval Academy Laundry (Special Accounting and Reporting)-----	do.	do.	-----	-----
Naval Academy Midshipmen Store (Special Accounting and Reporting)-----	do.	do.	-----	-----
Fleet (Surface) (General Accounting)-----	do.	do.	-----	-----
Industrial Marine Corps Activities (Industrial Fund)-----	do.	Aug. 1977	-----	-----
Navy Reserve Personnel - Armed Forces Health Professions Scholarship (Military Pay)-----	do.	do.	-----	-----
Navy Personnel - NROTC (Military Pay)-----	do.	do.	-----	-----
Naval Air Stations (Class II) (General Accounting)-----	do.	Sept. 1977	-----	-----
Bureau of Naval Personnel - Military Personnel (General Accounting and Finance)-----	do.	Sept. 1979	-----	-----
Naval Avionics Center, Indianapolis (Industrial Fund)-----	do.	do.	-----	-----

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (con.)				
Department of the Navy (includes Marine Corps) (con.)				
Polaris Missile Facility, Atlantic (Industrial Fund)-----	Mar. 1973	Sept. 1979	-----	-----
Military Sealift Command (Industrial Fund)-----	do.	-----	Sept. 1981	-----
Marine Corps Retired Pay (Military Pay)-----	do.	-----	do.	-----
Strategic Weapons Facility, Pacific, Silverdale (Industrial Fund System)-----	do.	-----	do.	-----
Military Sealift Command Activities (Civilian Pay System)-----	do.	-----	Sept. 1982	-----
Navy Publications and Printing Service Activities (Industrial Fund System)-----	do.	-----	do.	-----
Naval Air Rework Facility (Industrial Fund System)-----	do.	-----	Sept. 1983	-----
Research, Development, Test, and Evaluation Activities-----	do.	-----	-----	Sept. 1982
Marine Corps Real Time Finance and Manpower Management System (REAL FAMMIS)-----	do.	-----	-----	Sept. 1983
Marine Corps Reserve Manpower Management and Pay System (REMPPS)-----	do.	-----	-----	do.
Marine Corps Standard Accounting, Budgeting, and Reporting System (SABRS)-----	do.	-----	-----	do.
Navy Retired Personnel-----	do.	-----	-----	do.
Navy Standard Civilian Payroll System (NACSCIPS)-----	do.	-----	-----	do.
Standard Navy Industrial Fund System-----	do.	-----	-----	Sept. 1985
General Navy Accounting System Stock Fund System-----	do.	-----	-----	Sept. 1990
Total Navy-----	45	30	6	9
Defense Agencies:				
Defense Communications Agency:				
Communications Services Industrial Fund-----	Jan. 1974	-----	Dec. 1980	-----
General Appropriation System-----	do.	-----	a/June 1981	-----
Defense Contract Audit Agency-----	do.	Feb. 1975	-----	-----
Defense Intelligence Agency-----	do.	-----	a/Sept. 1981	-----
Defense Investigative Service-----	do.	June 1975	-----	-----
Defense Logistics Agency:				
Standard Automated Materiel Management System - Financial System-----	do.	Dec. 1973	-----	-----
Defense Industrial Fund - Clothing-----	do.	Sept. 1977	-----	-----
Base Operating Supply System Automated Payroll, Cost, and Personnel System-----	do.	July 1980	-----	-----
World-wide Integrated Management of Bulk Fuels-----	do.	-----	-----	c/Apr. 1981
Defense Mapping Agency-----	do.	Sept. 1980	-----	Sept. 1981
Defense Nuclear Agency-----	do.	-----	-----	Nov. 1981

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (con.)				
Defense Agencies (con.)				
Defense Security Assistance Agency:				
Military Assistance Program	Jan. 1974	Sept. 1977	_____	_____
Foreign Military Credit Sales	do.	July 1980	_____	_____
National Security Agency	do.	Sept. 1976	_____	_____
Office of the Secretary of Defense	do.	_____	_____	Sept. 1982
Uniformed Services University of the Health Sciences	do.	_____	_____	do.
Total Defense Agencies	17	9	3	5
DEPARTMENT OF EDUCATION				
Law Enforcement Assistance				
Administration Education Program				
Notes Receivable Accounting	d/May 1969	d/Sept. 1979	_____	_____
National Institute of Education	d/Apr. 1970	d/Sept. 1977	_____	_____
Departmental Accounting System	e/(Unapproved)	_____	e/_____	_____
Total Approved	2	2	-	-
Total Unapproved	1	-	1	-
DEPARTMENT OF ENERGY				
Southwest Power Administration	Apr. 1980	f/July 1952	_____	_____
Southeast Power Administration	do.	f/Nov. 1952	_____	_____
Bonneville Power Administration:				
General Accounting System	do.	f/Dec. 1973	_____	_____
Payroll System	do.	f/June 1974	_____	_____
Alaska Power Administration	do.	_____	f,1/_____	_____
Departmental Payroll System	do.	_____	FY 1982	_____
Departmental Accounting System	do.	_____	FY 1983	_____
Total	7	4	3	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Department-wide (Umbrella system)	Apr. 1970	g/Apr. 1970	_____	(FY 1982)
Office of the Secretary	do.	g/Mar. 1973	_____	do.
Food and Drug Administration	do.	g/June 1974	_____	do.
Centralized Payroll System	do.	_____	FY 1981	_____
Departmental Federal Assistance				
Financing System	do.	_____	h/FY 1984	_____
Regional Accounting System	do.	_____	FY 1982	_____
Health Care Financing Administration -				
Administrative Accounting	do.	g/June 1975	_____	(FY 1982)
Health Insurance and Supplementary Medical Insurance Premium System	do.	_____	h/FY 1984	_____
Health Insurance System	do.	_____	FY 1981	_____
Supplementary Medical Insurance System	do.	_____	do.	_____
Trust Fund Accounting	do.	_____	do.	_____
National Institutes of Health -				
Administrative Accounting	do.	g/June 1976	_____	(FY 1982)
Management Fund	do.	_____	FY 1981	_____
Service and Supply Fund	do.	_____	do.	_____
Public Health Service:				
Alcohol, Drug Abuse, and Mental Health Administration	do.	_____	i/FY 1981	_____
Center for Disease Control	do.	_____	i/ do.	_____
Health Resources Administration	do.	_____	i/ do.	_____
Health Services Administration	do.	_____	i/ do.	_____
Office of the Assistant Secretary for Health	do.	_____	i/ do.	_____
Public Health Service Officer	do.	_____	i/ do.	_____
Payroll	do.	_____	FY 1982	_____

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES (con.):				
Public Health Service (con.):				
Indian Health Service Hospital				
Cost Accounting	Apr. 1970		h/FY 1984	
Public Health Service Hospital				
Cost Accounting	do.		h/ do.	
Service and Supply Fund	do.		h/	
Social Security Administration:				
Administrative Accounting	do.	Sept. 1980		
Black Lung System	do.		FY 1981	
Disability Insurance System	do.		do.	
Earnings Record System	do.		do.	
Retirement and Survivors				
Insurance System	do.		do.	
Supplemental Security Income System	do.		do.	
Total	29	6	23	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
General Accounting System	Apr. 1968	j/Apr. 1970		
Payroll System	do.		FY 1981	
Total	2	1	1	-
DEPARTMENT OF THE INTERIOR				
Government of American Samoa	July 1952	July 1952		
Bureau of Indian Affairs	Nov. 1972	k/Jan. 1953		(FY 1982)
Trust Territory of the Pacific Islands	Mar. 1954	Mar. 1954		
Bureau of Land Management	Feb. 1969	Aug. 1971		
Geological Survey	Aug. 1970	Dec. 1972		
Departmental Integrated Payroll System	do.	Jan. 1974		
Gas and Oil Royalty Management System	do.			FY 1982
Water and Power Resources Service:				
General Accounting	Dec. 1971	June 1974		
Bureau of Mines	June 1972	Sept. 1975		
Denver Inter-Bureau Payroll System	do.	Aug. 1977		
Office of the Secretary	Sept. 1979	Sept. 1979		
Denver Pay/Personnel System	Dec. 1971	Sept. 1980		
U.S. Fish and Wildlife Service	May 1969			FY 1981
National Park Service	Sept. 1978			do.
Heritage Conservation and Recreation Service	May 1969			do.
Total	15	11	-	4
DEPARTMENT OF JUSTICE				
Legal Activities and General Administration	May 1969	Feb. 1973		
Centralized Payroll System	do.	Mar. 1973		
Automated Debt Collection/Information System	do.	June 1975		
Bureau of Prisons:				
Administrative Accounting	do.	June 1974		
Automated Prisoners' Deposit Fund	do.	Sept. 1977		
Commissary Accounting	do.			FY 1981

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF JUSTICE (con.)				
Drug Enforcement Administration	May 1969	k/May 1975		(FY 1981)
Federal Bureau of Investigation:				
Payroll	do.	June 1975		
Administrative Accounting	do.	Apr. 1977		
Immigration and Naturalization Service	do.	k/Apr. 1967		(FY 1982)
Law Enforcement Assistance Administration:				
Administrative Accounting	do.	Sept. 1976		
Total	11	10	-	1
DEPARTMENT OF LABOR				
Federal and State Employment Security Agencies System (Federal Portion)	May 1970	Dec. 1970		
Departmental Accounting System	Mar. 1968	Oct. 1972		
Total	2	2	-	-
DEPARTMENT OF STATE				
International Boundary and Water Commission, United States and Mexico:				
Payroll	Sept. 1968	k/Jan. 1953	(FY 1981)	
General Accounting	do.		FY 1982	
Working Capital Fund	do.	May 1965		
Foreign Service Retirement and Disability Fund	do.	July 1970		
Domestic and Western Payroll System	do.	Sept. 1977		
Foreign Service Institute	do.		FY 1981	
Eastern Hemisphere Payroll System	do.			FY 1981
Departmental Accounting System	do.			FY 1982
Total	8	4	2	2
DEPARTMENT OF TRANSPORTATION				
Coast Guard	June 1970	Dec. 1951		
Alaska Railroad Revolving Fund	do.	Sept. 1957		
Federal Highway Administration	do.	June 1967		
Office of the Secretary	do.	Mar. 1974		
National Highway Traffic Safety Administration	do.	Feb. 1975		
Transportation Systems Center	do.	June 1976		
Federal Railroad Administration	do.	Sept. 1976		
Federal Aviation Administration	do.			FY 1982
Department-wide Payroll	do.		FY 1982	
Total	9	7	1	1
DEPARTMENT OF THE TREASURY				
Working Capital Fund	May 1969	Feb. 1974		
Treasury Payroll Personnel Information System	do.	Sept. 1980		
Bureau of Alcohol, Tobacco, and Firearms	do.	May 1974		
Bureau of Customs	May 1970	k/Nov. 1972		(FY 1982)
Bureau of Engraving and Printing	May 1969	k/July 1952		(FY 1983)
Bureau of Government Financial Operations:				
Administrative Accounting	do.	Mar. 1966		
Central Accounting for Cash Operations	Oct. 1968	Oct. 1968		
Investments Accounting Operations	Mar. 1969	Mar. 1969		
Central Accounting for Foreign Currency	June 1969	June 1969		
Bureau of the Mint:				
Administrative Accounting	May 1969	Jan. 1953		
Bullion and Monetary Accounting	do.		Sept. 1981	

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF THE TREASURY (con.)				
Bureau of the Public Debt:				
Administrative Accounting	May 1969	June 1968	_____	_____
Public Debt Accounting	Dec. 1968	Dec. 1968	_____	_____
Consolidated Federal Law Enforcement Training Center	May 1969	Jun. 1973	_____	_____
Internal Revenue Service:				
Administrative Accounting	do.	Oct. 1972	_____	_____
Tax Lien Revolving Fund	do.	Mar. 1974	_____	_____
Revenue Accounting	Dec. 1972	June 1974	_____	_____
Treasury Payroll/Personnel System (IRS Application)	May 1969	_____	_____	FY 1982
Office of the Secretary	do.	June 1969	_____	_____
U.S. Secret Service	do.	Nov. 1971	_____	_____
Total	20	18	1	1
ACTION				
General Accounting	Mar. 1975	Aug. 1978	_____	_____
Volunteer Readjustment Allowance	do.	_____	FY 1981	_____
Staff Payroll	do.	_____	_____	FY 1982
Domestic Volunteer Pay System	do.	_____	_____	1/
ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS	June 1972	June 1972	_____	_____
AMERICAN BATTLE MONUMENTS COMMISSION	Aug. 1958	Aug. 1958	_____	_____
CIVIL AERONAUTICS BOARD				
Administrative Accounting	July 1977	k/Jan. 1968	_____	(FY 1981)
Payroll	do.	Sept. 1976	_____	_____
COMMODITY FUTURES TRADING COMMISSION	Sept. 1978	_____	_____	Sept. 1981
COMMUNITY SERVICES ADMINISTRATION				
General Accounting	Apr. 1979	_____	FY 1981	_____
Payroll	do.	_____	FY 1982	_____
CONSUMER PRODUCT SAFETY COMMISSION	Sept. 1978	_____	FY 1981	_____
ENVIRONMENTAL PROTECTION AGENCY	Dec. 1973	Sept. 1977	_____	_____
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	May 1971	k/Feb. 1973	(FY 1981)	_____
EXECUTIVE OFFICE OF THE PRESIDENT	Sept. 1980	_____	FY 1981	_____
The White House	Oct. 1969	Oct. 1969	_____	_____
FARM CREDIT ADMINISTRATION	Nov. 1975	Mar. 1976	_____	_____
FEDERAL COMMUNICATIONS COMMISSION	Sept. 1958	Sept. 1958	_____	_____
FEDERAL ELECTIONS COMMISSION				
General Accounting	Sept. 1978	_____	FY 1981	_____
Payroll	do.	_____	FY 1982	_____
FEDERAL EMERGENCY MANAGEMENT AGENCY	e/(Unapproved)	_____	FY 1981	_____
FEDERAL HOME LOAN BANK BOARD	June 1972	_____	Sept. 1981	_____
FEDERAL LABOR RELATIONS AUTHORITY	m/(Unapproved)	_____	_____	FY 1981
FEDERAL MEDIATION AND CONCILIATION SERVICE	Dec. 1969	_____	Sept. 1981	_____
FEDERAL TRADE COMMISSION	Sept. 1980	k/Aug. 1958	_____	(FY 1981)

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
GENERAL SERVICES ADMINISTRATION (note n)				
Appropriation Accounting-----	Sept. 1980	k/June 1965	(FY 1983)	_____
Manpower and Payroll Statistics-----	do.	k/Apr. 1973	(FY 1982)	_____
Federal Building Fund-----	do.	k/Sept. 1977	(FY 1982)	_____
Automated Data Processing Fund-----	do.		FY 1983	_____
National Archives, Trust and Gift Funds-----	do.	_____	FY 1981	_____
General Supply Fund-----	do.	_____	FY 1984	_____
Construction Services Fund-----	do.	_____		FY 1983
Working Capital Fund-----	do.	_____		do.
Federal Telecommunications Fund-----	do.	_____		FY 1984
INDIAN CLAIMS COMMISSION-----	Jan. 1961	Jan. 1961	_____	_____
INTERNATIONAL COMMUNICATIONS AGENCY-----	Dec. 1968	o/Dec. 1970	_____	_____
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY				
Agency for International Development:				
American Payroll-----	July 1979	Sept. 1976	_____	_____
Foreign National Payroll-----	do.	_____	FY 1982	_____
General Accounting-----	do.	_____		FY 1982
Mission Accounting-----	do.	_____		FY 1984
INTERSTATE COMMERCE COMMISSION-----	p/June 1968	June 1968	_____	_____
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION-----	June 1969	June 1969	_____	_____
NATIONAL CAPITAL PLANNING COMMISSION-----	Mar. 1958	Mar. 1958	_____	_____
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
National Endowment for the Arts-----	June 1973	June 1975	_____	_____
National Endowment for the Humanities-----	do.	do.	_____	_____
NATIONAL LABOR RELATIONS BOARD				
General Accounting-----	Sept. 1980	_____		
Payroll System-----	do.	_____	FY 1981	FY 1982
NATIONAL MEDIATION BOARD-----	July 1958	July 1958	_____	_____
NATIONAL SCIENCE FOUNDATION				
General Accounting-----	Apr. 1969	June 1973	_____	_____
Payroll System-----	do.	May 1974	_____	_____
NATIONAL TRANSPORTATION SAFETY BOARD-----	June 1978	_____	FY 1981	_____
NUCLEAR REGULATORY COMMISSION-----	May 1977	_____	_____	FY 1982
OFFICE OF PERSONNEL MANAGEMENT				
Retirement and Disability Fund-----	Nov. 1968	Nov. 1968	_____	_____
Group Life Insurance Fund-----	do.	do.	_____	_____
Employee Health Benefits Fund-----	do.	do.	_____	_____
Retired Employees Health Benefits Fund-----	do.	do.	_____	_____
Administrative Accounting-----	do.	May 1970	_____	_____
PANAMA CANAL COMMISSION-----	m/(Unapproved)	_____	_____	FY 1982
RAILROAD RETIREMENT BOARD-----	June 1968	Feb. 1971	_____	_____
SECURITIES AND EXCHANGE COMMISSION-----	June 1969	June 1969	_____	_____

APPENDIX II

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
SELECTIVE SERVICE SYSTEM-----	Jan. 1973	June 1974	-----	-----
SMALL BUSINESS ADMINISTRATION				
Payroll-----	Dec. 1968	June 1974	-----	-----
General Accounting-----	do.	June 1975	-----	-----
Surety Bond Guarantee Program-----	do.	June 1978	-----	-----
SMITHSONIAN INSTITUTION-----	Aug. 1959	Aug. 1959	-----	-----
National Gallery of Art-----	Nov. 1958	Nov. 1958	-----	-----
U.S. ARMS CONTROL AND DISARMAMENT AGENCY-----	Sept. 1979	-----	-----	FY 1981
VETERANS ADMINISTRATION				
Administrative Accounting-----	Oct. 1972	Sept. 1956	-----	-----
Medical Care and Administration-----	do.	do.	-----	-----
Supply Fund-----	do.	do.	-----	-----
Personnel and Pay System-----	do.	July 1969	-----	-----
Insurance Program-----	do.	Oct. 1972	-----	-----
Construction Appropriations-----	do.	June 1975	-----	-----
Mortgage Loan Program-----	do.	Sept. 1976	-----	-----
Compensation, Pension, and Education-----	do.	-----	FY 1984	-----
DISTRICT OF COLUMBIA GOVERNMENT-----	g/Feb. 1972 (FY 1981)	-----	-----	r/-----
Total all agencies				
Approved-----	297	193	-	-
Unapproved-----	4	108	66	42

a/The fund control aspects of this system were approved in September 1979.

b/This system is composed of the following segments:

- Procurement Funds Distribution; approved August 1978.
- Program Funds Distribution; approved September 1979.
- Customer Order Control; projected approval April 1981.
- Accounting and Reporting; projected approval December 1983.

c/Will include approval of the payroll system previously approved in February 1975.

d/Represents transfer of approvals for these activities that were granted when they were part of the Law Enforcement Assistance Administration and the Department of Health, Education, and Welfare. They will eventually be eliminated when the Department's overall system is approved.

e/Because of the short time this Department has been in existence, no target date has been established. (See ch. 3.)

f/These designs will eventually be incorporated as part of the Department's overall accounting system approval.

g/Development of new standard system will result in reapproval on date shown in parentheses.

h/The Department presently has operating systems for each of these activities. The dates for approval of some are far in the future because various redesign efforts will affect the systems presently designed. The Department prefers to submit the systems as they are expected to operate in the future rather than as they are operating now.

i/These systems will eventually be replaced by the Department's new standard system.

j/Designs of subsystems have not been completed.

k/Designs to be resubmitted on the date shown in parentheses.

l/Agency unable to provide an estimated approval date.

m/Approval expected in fiscal 1981.

n/In addition, the General Services Administration does accounting for numerous small commissions and agencies that do not maintain accounting systems of their own.

o/Design approval except for automatic data processing portion; target date for completion of the entire system is October 1983.

p/A revised statement of principles and standards is under review. System design is expected to be resubmitted after the revised statement is approved.

q/Reapproval expected on the date shown in parentheses.

r/The actual number of accounting systems is not yet determined; designs are expected to be approved in fiscal 1981 through fiscal 1985.

(990115)

PRIORITY S
DELIVERY M
RECEIPT P
DATE 9/20/81

GENERAL ACCOUNTING OFFICE
DOCUMENT HANDLING AND INFORMATION SERVICES FACILITY
BOX 6015, GAITHERSBURG, MARYLAND 20760
TELEPHONE (202) 275-6241

DATE RECEIVED : 08/19/81

REQUEST NO.: 470020-S 1 OF 2

DOCUMENT NO.	ACCESSION NO.	b/f	QTY.
070020-01-50	115140	1	1

PHYLISS KIRSCHENHEITER
DTIC TECHNICAL LIBRARY
CAMERON STATION BLDG. 3
ALEXANDRIA VA 22315

PAGE-ORDERED DOCUMENT

**